



GOVERNMENT OF KERALA

Abstract

Finance Department-Extending the benefit of public procurement Policy for self reliance - announced by Government of India - to the MSMEs and PSUs in the State - Orders issued

FINANCE (PUBLIC UNDERTAKINGS -A) DEPARTMENT

G.O (Rt) No.5382/2020/Fin. Dated, Thiruvananthapuram, 18.09.2020

Read:- (1) G.O(P)No.546/2013/Fin dated 07/11/2013
(2) Order No. P-45021/2/2017-PP (BE II) dated 04/06/2020 from the Ministry of Commerce and Industry, Government of India.

ORDER

As per the Government Order read (1) above, Government extended the benefits of Public Procurement Policy for Micro and Small Enterprises registered in Kerala based on Government of India guidelines. As per reference 2nd above, Government of India has recently issued revised Public Procurement order for encouraging 'Make in India' and promote manufacturing and production of goods and services in India with a view to enhancing income and employment and to boost self-reliance.

Considering the new Guidelines of Government of India and the incentives announced for local manufacturers in other States, it is essential that a new preferential policy for procurement from local MSMEs and state PSUs is implemented for reviving them in the current difficult economic situation arising from the Covid - 19 pandemic.

Government after having examined the matter in detail are pleased to issue orders based on the latest guidelines indicated in Government of India's policy and also considering the best practices among various states. The new policy for the State will consist of the following Price and Purchase preferences to products procured from local MSMEs/ State PSUs and shall come into force superseding all previous orders issued on procurement from MSMEs within the State.

(a) **Price Preference:** All state PSUs & local MSMEs in the state shall get a Price Preference up to 15% in all procurement of State Government Departments, Organizations, Local Self Government Institutions and Public Undertakings. This means that wherever State PSUs/local MSMEs quote a rate which is within a 15% price range of the L1 bidder, the state PSU/ local MSME, either singly or jointly, as the case may be, would be entitled to get up to 50% of the order quantity at the lowest rate quoted among them. If there are multiple State PSU/local MSME vendors in this category, they will be given equal proportions of this 50% order.

(b) **Purchase Preference:** In any tender, If no local participating state PSUs & local MSMEs quotes within the price band of L1+15%, they shall still be entitled to an opportunity to supply up to 50% of the total order by bringing down their price to L1 price. In such a scenario, the State PSU and local MSME, accepting such an invite, either singly or jointly, as the case may be, shall be allowed to supply up to 50% of the order quantity, if there is only one such bidder; or in equal proportions out of the 50%, if there are multiple bidders in this category.

Necessary amendments to the Stores Purchase Manual if any, will be issued separately by the Stores Purchase Department.

(By order of the Governor)
RAJESH KUMAR SINGH IAS
ADDITIONAL CHIEF SECRETARY (FINANCE)

To:

The Principal Accountant General (A&E), Kerala, Thiruvananthapuram
The Principal Accountant General (G&SSA), Kerala, Thiruvananthapuram
The Principal Accountant General (E&RSA), Kerala, Thiruvnanthapuram
The Additional Development Commissioner, O/o the Development
Commissioner (Micro Small & Medium Enterprises), Ministry of Micro Small
& Medium Enterprises Government of India, Nirman Bhavan, 7th floor, Moulana
Azad Road, New Delhi 110 108.
The Planning & Economic Affairs (BPE) Department
The Stores Purchase Department
The Chief Executives of all Public Sector Undertakings, Autonomous Bodies,
Statutory Boards.
All Principal Secretaries/ Secretaries/ Special Secretaries/ Additional Secretaries/
Joint Secretaries/ Deputy Secretaries & Under Secretaries to Government
The Secretary to Governor
All Heads of Departments
The Private Secretaries to Chief Minister and other Ministers
The private Secretaries to Speaker and Deputy Speaker
The Private Secretary to Leader of Opposition and Government Chief Whip
All Departments of Secretariat
The General Administration (SC Department), vide the proceedings of Council of
Ministers in item No.4205 dated 16/09/2020
The Director of Public Relations, Thiruvananthapuram
The Nodal Officer, www.finance.kerala.gov.in.
The Stock File/Office Copy (PU-A2/69/2020-FIN, E- 1524267)

Forwarded/By order,



Section Officer.



കേരള സർക്കാർ

മന്ത്രിസഭായോഗത്തിന്റെ നടപടിക്കുറിപ്പുകൾ

തീയതി : 16-09-2020

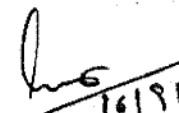
ഫയൽ നം. പി.യു.-എ2/69/2020-ധന.

ഇനം നം: 4205

വിഷയം : ധനകാര്യ വകുപ്പ് - ഇന്ത്യാ ഗവൺമെന്റിന്റെ പബ്ലിക് പ്രൊക്യൂർമെന്റ് പോളിസിയുടെ ആനുകൂല്യങ്ങൾ എം.എസ്.എം.ഇ.-കളിലേക്കും, പൊതുമേഖലാ സ്ഥാപനങ്ങളിലേക്കും വിപുലീകരിക്കുന്നത്.

തീരുമാനം : കുറിപ്പിലെ നിർദ്ദേശം അംഗീകരിച്ചു.

(ഒപ്പ്)
പിണറായി വിജയൻ
മുഖ്യമന്ത്രി
(ശരിപ്പകർപ്പ്)


ഡോ. വിശ്വാനന്ദമേത്ത
ചീഫ് സെക്രട്ടറി

അഡീഷണൽ ചീഫ് സെക്രട്ടറി, ധനകാര്യ വകുപ്പ്.

Handwritten notes and dates: JS 14, 17/9, 18/9

Receipt No : 4592258/2020/FIN(OS)

NOTE FOR THE COUNCIL OF MINISTERS

1) The State Government had issued GO(P) No.546/2013/Fin dated 07/11/2013 (Appendix-I) extending the benefits of Public Procurement Policy for Micro and Small Enterprises registered in Kerala based on GOI communication D.O No.21/(1)/2011-MA/309 dated 23/05/2012 (Appendix-II). The relaxations provided by the State under this G.O. include *all state Government Departments/PSUs/LSG institutions shall set an annual goal of procuring a minimum of 20% of this annual value of goods & services from MSEs working with in the state. Tender participating MSEs quoting with in price band of L1+15% shall also be allowed to a portion of requirement by bringing down their price to L1, if L1 is quoted by some other agencies.* The Department of Promotion of Industry and Internal Trade (DPIIT) under The Ministry of Commerce and Industry, Government of India has now issued the revised "Public Procurement (Preference to Make in India), Order 2017" vide Order NO. P-4502/2/2017-PP (BE II) dtd. 04.06.2020 (Appendix -III). This order has focused on encouraging procurement from local suppliers/MSMEs by giving Purchase Preference as one of the incentives, among others.

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2) To encourage MSMEs/local manufacturers, a large number of States have given either a Price Preference or a Purchase Preference and in case of some States both, for products procured from MSMEs. For example: Tamil Nadu has reserved 25% of total requirement from domestic enterprises and 40% from PSUs/Government agencies from within the State by allowing them to match the price of L1. Karnataka gives a Price Preference of 15% for goods manufactured by MSMEs, Andhra Pradesh reserves 20% of total annual procurements from MSMEs, Haryana gives a 15% Price Preference for the goods manufactured by MSMEs, and also of the total procurement, 10% of total tendered quantity is reserved for medium and 50% for Micro and Small enterprises.

3) Considering the new Guidelines of GOI and incentives for local manufacturers given across States, it is essential that a new policy for procurement from MSMEs within the State is required for reviving them in the current difficult economic circumstances. Discussions were held with the Industries Department, represented by RIAB Chairman to get the industry viewpoints. Industries Department concurred to the proposal as follows;

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" This 'procurement policy' prepared by Finance Department, is at the request of Industries Department. Consequent upon Government of India, issuing guidelines on purchase preferences from MSMEs, we prepared a draft policy and held series of discussions with Finance Department. This department concurs with the proposal and may be considered."

4) Based on latest guidelines indicated in GOI's Policy and also considering best practices among various states giving price preference or purchase preference to the products procured from MSMEs /PSUs from within the state, a new policy for the State consisting of the following Price and Purchase Preference is placed before the Council of Ministers for approval :

(a) **Price Preference:**All PSUs & MSMEs in the state shall get a Price Preference up to 15% in all procurements of State Government Departments, Organizations, Local Self Government Institutions and Public Undertakings. This means that wherever State PSUs/MSMEs quote a rate which is within a 15% price range of the L1 bidder, the local PSU/MSME will each

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be entitled to get 50% of the quantity at the lowest rate quoted among them.

(b) Purchase Preference: In any tender, if no local participating PSUs & MSMEs quote within the price band of L1+15%, they shall still be invited to supply up to 50% of the total order by bringing down their price to L1 price. In such a scenario, the State PSU and local MSME accepting such an invite shall be allowed to supply equal quantities, i.e. 50% each of the 50% order quantity.

The Hon'ble Chief Minister has agreed to place the matter before the council of Ministers.

Point for Decision

Whether, in an effort to revive the MSMEs and PSUs from within the State, proposal for relaxations as indicated in Para 4 above be approved ?

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ഡോ. ടി.എം. തോമസ് ഐസക്ക്
നമ്പർ - കയർ വകുപ്പ് മുൻനി