

# **Jharkhand Procurement Policy 2013**

## **1 Background**

### **1.1 Jharkhand Procurement Policy- 2007 was under implementation till**

04. 08.2012. The basic objective of the policy was to encourage local Micro and Small Enterprises (MSEs) by giving preferential treatment to such units in purchases by Govt. departments, aided Institutions and State public sector enterprises etc.

### **1.2 Jharkhand Industrial Policy 2012, envisages the formulation and implementation of a new procurement policy under Para-18 for safeguarding the interest of local Micro and Small Enterprises (MSEs) and other enterprises of Jharkhand in respect of purchases by Govt. Departments and State owned PSUs including Boards, Corporations, Development Authorities, Improvement Trusts, Municipalities, Notified Area Committees, Co-operative Bodies and Institutions aided by State Govt. and companies where Govt. share is 50% or more.**

- 1.3 The need for formulation of a new Procurement Policy is also being felt in view of the recently Implemented Public Procurement Policy for Micro and Small Enterprises (MSEs), 2012 by Ministry of Micro, Small and Medium Enterprises (MSME) where provision has been made for minimum procurement of 20% of annual value of goods or services by Central Govt. Ministries, Departments and Public Sector Undertakings from Micro and Small Enterprises.
- 1.4 The National Manufacturing Policy 2011 has given importance to the manufacturing sector for achieving the twin objective of enhancing the share of manufacturing in GDP to 25% within a decade and creating 100 million jobs.
- 1.5 It is pertinent to note that the contribution of SME is about 45% in the manufacturing output, 45% of total exports and offers employment opportunities both for self-employment and jobs across diverse geographies. Therefore, there is a need to support and encourage the sector.

1.6 Contribution of manufacturing sector is quite significant in state's economy and about 27-30% is being contributed by this sector in SGDP of Jharkhand. Several measures have been undertaken and accordingly provisions have been incorporated in Jharkhand Industrial Policy- 2012 (JIP-2012) . All these are broadly in consonance with the National Manufacturing Policy brought out by Gol and are specially meant for the promotion of manufacturing sector.

## **2.0 Objective**

2.1 Jharkhand Procurement Policy - 2013 aims at promoting and developing Micro and Small Enterprises (MSEs) of the State on preferential basis, besides other manufacturing units/enterprises, by giving preference in purchases of its products and services in comparison with the units located outside the state, without compromising the quality, competitiveness and cost effectiveness.

2.2 This Jharkhand Procurement Policy 2013 is based on the core principles of encouraging competitiveness, amongst local MSEs and other industrial units through sound, fair and transparent practices.

- 2.3 The policy is basically aimed at facilitating the purchases from Micro and Small Enterprises (MSEs) of the State by Government Departments and institutions including aided agencies.
- 2.4 In order to achieve the above objective, all the administrative Departments/ Agencies under the control of State Government, Heads of Department and offices subordinate to them, Boards, Corporations, Development Authorities, Improvement Trusts, Municipalities, Notified Area Committees, Co-operative Bodies and Institutions aided by the State Govt. and companies where Government share is 50% or more, will ensure procurement of minimum of 20% of total annual purchases of products produced and minimum of 15% of services required to be rendered.
- 2.5 Efforts shall be made to procure maximum goods and services from the enterprises of the State without compromising quality, competitiveness and cost effectiveness.

### **3.0 Applicability**

Jharkhand procurement policy 2013 shall be applicable to such Micro and Small Units (MSEs-as defined under MSME Act 2006 of Govt of India and

JIP-2012) of the State and other units/enterprises of the state which fulfill the following criteria:

- (i) The manufacturing or Service unit is located within the State of Jharkhand.
- (ii) The Head Office or Corporate Office of such registered unit/company/enterprise is within the territorial jurisdiction of Jharkhand.
- (iii) (a) MSE is registered with the Directorate of Industries /District Industries Centre, Khadi and Village Industries Board, Directorate of Handloom, Sericulture and Handicraft of Jharkhand Govt or any other body specified by Directorate of Industries, Jharkhand Govt from time to time.  
  
(b) Other industrial units/enterprises which have submitted IEM and been issued Date of Production (DOP) certificate by Director, Industries, GoJ.
- (iv) The MSE /other enterprise and unit must be registered under Jharkhand VAT Act 2005 or CST Act.
- (v) The MSE /other enterprise and unit must have encouraged local people in employment.

- (vi) The MSE /other enterprise and unit must have complied with all statutory and legal formalities of concerned regulators/Act.
- (vii) The MSE unit availing preferential treatment will give an undertaking with respect to (i) to (vi) above including a categorical statement that the product/services being supplied to Govt. Deptt. or its agencies has been manufactured/created by the unit located in Jharkhand only, giving details of batch no./date or any other identifiable tag (GSI etc.) as per prevalent established practice.

#### **4.0 Mandatory procurement from Micro and Small Enterprises.**

(a) Every Department of the State Government or its Agencies or aided Institutions shall set an annual goal of procurement from Micro and Small Enterprises from the financial year 2013-14 and onwards, with the objective of achieving overall procurement of minimum 20 per cent of total annual purchases of products produced and 15 percent of services required to be rendered by Micro and Small Enterprises in a period of three years.

(b) After a period of three years i.e. from 1st April 2016, overall procurement goal of minimum of 20 per cent of product and 15 per cent of services shall be made mandatory.

(c) The Government Department, public sector undertakings and aided Institutions which fail to meet the annual goal shall substantiate with reasons to the Review Committee headed by Development Commissioner, GoJ.

#### **5.0 Special provisions for Micro and Small Enterprises owned by Scheduled Castes or Scheduled Tribes**

**(a)** Out of 20 per cent target of annual procurement from Micro and Small Enterprises, a sub-target of 20 per cent (i.e., 4 per cent out of 20 per cent) shall be earmarked for procurement from Micro and Small Enterprises owned by the Scheduled Caste or the Scheduled Tribe entrepreneurs. Similarly, out of 15 per cent annual target of services to be procured from MSEs, a sub-target of 20 per cent (i.e, 3 per cent out of 15 per cent )shall be earmarked for procurement from Micro and Small Enterprises owned by the Scheduled Caste or the Scheduled Tribe entrepreneurs. Provided

that, in event of failure of such Micro and Small Enterprises to participate in tender process or meet tender requirements and L1 price, 4 per cent /3 per cent sub-target for procurement earmarked for Micro and Small Enterprises owned by Scheduled Caste or Scheduled Tribe entrepreneurs shall be met from other Micro and Small Enterprises.

(b) Incase the department has failed to get tender offer under such category, the reason in detail must be mentioned in the purchase order in detail.

## **6. Reporting of targets in Annual Report**

(a) Every Department of the State Government, aided institutions and public sector undertakings shall report goals set with respect to procurement to be met from Micro and Small Enterprises and achievement made thereto in their respective Annual Reports and will also be displayed on their website.

(b) A detailed report will be compiled on the basis of information received from different government departments/agencies by industries department and the same will be displayed on the departmental website.



- (c) The details of goals set and achievement made will be placed before the Review Committee by the Director, Industries or authorised officer/agency of the department.

## **7. Price quotation in tenders**

- (a) In tender, participating Micro and Small Enterprises quoting price within price band of L1+15 per cent shall also be allowed to supply a portion of requirement by bringing down their price to L1 price in a situation where L1 price is from someone other than a Micro and Small Enterprise and such Micro and Small Enterprise shall be allowed to supply up to 20 per cent of total tendered value depending on the capacity of the enterprise.
- (b) In case of more than one such Micro and Small Enterprise, the supply shall be shared proportionately (to tendered quantity) depending on the capacity of the enterprises.
- (c) Enterprises, other than MSEs of the state, will also be entitled for the price preference of L1+5 within the price band. All other remaining conditions including quantum of supply order will be applicable as mentioned in a & b above and 3 (i), (ii), (iv), (v), (vi) & (vii).

## **8.0 Purchase from Exclusive List**

- 8.1 List of goods and services reserved for exclusive purchase from MSEs, located within the state of Jharkhand, and covered under para-3 will be prepared from time to time keeping in view the production/service capacity of the local MSEs and requirements of State Govt. Departments and Agencies under its control. This list shall consist of items for which sufficient production/service capacity exists within the state of Jharkhand so as to meet the entire demand of the Govt. Sector. A list of items reserved for exclusive purchase is shown in Annexure 1. Such list shall be revised and notified by the Director, Industries from time to time.
- 8.2 The state Govt. Departments and its Agencies or aided Institutions under their control will have to procure their requirement of these items/services exclusively from local MSEs with ISO/BIS and equivalent certification for the items by inviting limited competitive quotations from such local MSEs only. Efforts will be made to distribute the purchase order equitably among the participating enterprises prepared to accept lowest negotiated rate keeping in view their production capacity.

- 8.3 Local Micro and Small Manufacturing units, Khadi and Village Industrial units including Handloom and Handicraft units shall be allowed to supply products/ services within price band of L1+15%, by bringing down their price to L1 price in a situation where L1 price is by Enterprise other than a Micro and Small Enterprise.
- 8.4 Local Micro and Small manufacturing units having BIS or equivalent certification shall get an additional price preference of 2%. Units having certification/accreditation under any of the following internationally recognized/ accepted standards such as ISO-9000/ISO-14000/ISO-18000 etc. will get an additional 3% price preference, in addition to the above covered under 8.3 (i.e it may be L<sub>1</sub>+17 or L<sub>1</sub>+18 or L<sub>1</sub>+20 max.) .
- 8.5 If less than three tenders are received for procurement of an item under Exclusive List, the item will be procured through open tendering process. Similarly, if the Deptt. procuring items from Exclusive List finds that the assessed production capacity of local MSEs is less than the quantity required to be purchased, then also the procurement shall be done through open tendering process.

## **9.0 Rate Contract**

- 9.1 List of goods and services provided by the state PSUs to be reserved for procurement via Rate Contract system.
- 9.2 The list of items and rate under rate contract system shall be prepared by a committee under the Chairmanship of Development Commissioner. Other members of the committee will include Principal Secretary/Secretary Finance, Planning, Industry, Vigilance, Labour including representative of the user departments. This will be done on annual basis. Other members of the above mentioned committee will include Director MSME-Gol/Director Industries/Director, Handloom, Sericulture and Handicraft/Chief Executive Officer, KVIB/Director, KVIC/Representative of DGS&D in the State.
- 9.3 Goods or services, for which subsisting rate contract exists, shall be mandatorily procured following the rate contract system and shall not be procured by any other means.

## **10.0 Procurement through Open Tendering**

10.1 Goods and services other than those in the " Exclusive Purchase List" or on "Rate Contract List" may be purchased by the state Government Departments and Agencies under the control of State Government through open tender. Local Micro and Small manufacturing units, Khadi and Village Industrial units including Handloom and Handicraft units competing in the open tender shall be entitled to price preference as mentioned in Section 8.3 and 8.4 of Jharkhand Procurement Policy - 2013

10.2 The notice inviting tenders shall stipulate the condition that the participants to the tender must fulfill applicability/eligibility criteria stipulated in **section 3.0 and JIP-2012, para-18.1(i), [ii (a,b,c,)]**.

10.3 While preparing comparative price statement for evaluation of tender paper the VAT payable in Jharkhand state made only on the basic price. However, any tax payable outside Jharkhand shall be added to the basic price for such price comparison.

- 10.4 Efforts will be made to make full payment for the items bought from MSEs within 30 days of complete supply. Director, Industries shall closely monitor the status of timely payment of dues of MSEs.
- 10.5 The Micro and Small Enterprises Facilitation Council (MSEFC) constituted under the provision of MSMED Act, 2006 shall regularly take up cases related to delayed payment to MSEs.
- 10.6 Director, Industries will be the nodal agency for the issue of guidelines for implementation of the above. Director, Industries or an officer nominated by him/her will be a member of the committee constituted at levels above the District level in the State. General Manager/ Project Manager, DIC or his representative will be a member of procurement committee constituted at District level or below.
- 10.7 With a view to encourage large and mega Industries including those in the private sector in the state and to meet their store purchase requirements from the local MSEs, institutional mechanism on the pattern of Plant Level Advisory Committee existing in respect of Central Public Sector Undertaking shall be devised and implemented.

## **11.0 Reduction in Transaction Cost**

- (i) Following provisions in the Policy are being made for Micro and Small Enterprises to reduce the Transaction Cost of bidding:
  - a) Tender forms for bidding shall be made available free of cost.
  - b) Earnest Money Deposit (EMD) and Security Deposit (SD) shall be exempted.
  - c) Bill discounting facility shall be made available on Govt. orders.
- (ii) Non-MSE units of Jharkhand, as envisaged in para-3(i), (ii), [(iii)b], (iv)-(vii), will get 50% concession in EMD/SD only.

## **12 Miscellaneous**

- 12.1 In order to ensure that the policy on marketing support is meticulously followed, Director, Industries or his/ her representative shall be allowed access to tender papers, purchase documents, books of accounts etc to ascertain whether there has been any contravention in the implementation of the policy.

- 12.2 Head of the State Govt. Department / Agencies doing the procurement will have the power to draw samples and test the quality of products supplied by local Industries from time to time and shall have powers to black list and de-register Industries supplying products not conforming to prescribed quality and specification. He shall have the power to blacklist local industries for trading in the store items instead of manufacturing.
- 12.3 Directorate of Industries shall be the Nodal Agency in the matter of administering marketing support related policies to local Micro, Small and Medium units.
- 12.4 Efforts will be made by Director, Industries to organise Annual Buyer and Seller Meet and Vendor Development Programmes amongst the large and mega Industries and the MSMEs in association with Directorate of MSME, GOI, NSIC and various representative bodies of Industries.
- 12.5 A permanent exhibition-cum-convention centre for exclusive display of MSME products is proposed to be set up.



- 12.6 Participation of representatives of MSMEs in national and overseas business fairs, global trade fairs and exhibitions, International delegations etc. will be ensured for promoting the marketing of their products.
- 12.7 A 'Grievance Cell' is proposed to be set up in the Directorate of Industries for redressing grievances of Micro and Small Enterprises (MSEs) of the state in procurement by Govt. Departments and agencies under its control. This cell shall take up issues related to Govt. procurement raised by Micro and Small Enterprises with Departments or Agencies concerned, including imposition of unreasonable conditions in tenders floated by Govt. Departments /Agencies that put Micro and Small Enterprises at a disadvantage.
- 12.8 Implementation of the provisions of Jharkhand Procurement Policy 2013 will be reviewed from time to time in association with Industries associations / representative bodies and necessary modifications, if required, will be recommended to the Govt.

## **Annexure-I**

**Items under Exclusive List, reserved for Purchase from State Micro and Small Enterprises (MSES).**

1. Agriculture Implements
2. Steel Furniture, Rack, Trunk, Almirah, Manual Trolley and Patient transfer Trolley.
3. Transformer (upto 200KVA).
4. Deep well hand pump (as per BIS).
5. Office Stationery, Exercise books and Computer Stationary.
6. Fly Ash bricks and other fly ash blocks.
7. PSC pole, RCC hume pipe.
8. PVC pipe (as per BIS standard).
9. AAC/AAAC/ACSR Conductors.
10. Aluminium wire
11. Solar Lantern /Street Lighting/Solar water heater Geyser /Solar irrigation Pump.
12. Flour grinding.
13. Surgical cotton/Gauge and bandages
14. Paint and Varnish (BIS Certified).
15. Safety boot and Lather boot/Canvas shoes
16. Irrigation shutter, panel and gate

17. Wax candle, Phenyl, Naphthalene ball and alum.
18. Broom, Emergency light and Battery charger.
19. Bleaching powder, Quick hydrated Lime.
20. Sodium Silicate.
21. Stone chips.
22. Soap- manufactured by units of Khadi board, Jharkraft and KVIB.
23. Barbed wire and Nails.
24. Lac and its Products.
25. Oil, Grease and Lubricant.
26. Bamboo and Cane furniture, Wooden furniture- (Manufactured by Jharkraft or KVIB).
27. Jute Bags- (Manufactured by Jharkraft or KVIB).
28. Hand made cotton, clothes, bedsheet, silk, carpet/Blanket, painting/Dogra and life style products (Manufactured by Jharkraft or KVIB).
29. Rice and Pulses
30. Ground Spices
31. PVC Tank
32. Bus, Truck Body Building
33. P/HDPP bag.