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DEPARTMENT OF INDUSTRIES

RESOLUTION

The 16th October, 2014

Jharkhand Procurement Policy 2014

No. 2963-- 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 also 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 Small and Medium Enterprises 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 GoI and are specially meant for the promotion of manufacturing sector.

2.0 Objective

- 2.1 Jharkhand Procurement Policy - 2014 aims at promoting and developing Micro and Small Enterprises (MSEs) of the State 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 2014 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 services rendered by MSEs of Jharkhand in a period of 3 years .

- 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 2014 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 *all* 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) 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, Industrial Area Development Authorities and National Small Industries Corporation Ltd or any other body specified by Directorate of Industries, Jharkhand Govt from time to time and other industrial units/enterprises which have submitted IEM and been issued Date of Production (DOP) certificate by GM ,DIC/MD, Industrial Area Development Authorities /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 2014-15 and onwards, with the objective of trying to achieve overall procurement of 20 per cent of total annual purchases of products and services rendered by Micro and Small Enterprises in a period of three years. *Efforts will be made to increase the level of procurement from MSEs further after three years*

(b) After a period of three years i.e. from 1st April 2017, overall procurement goal of minimum of 20 per cent of product and 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. 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 percent, as mentioned above, 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) In case the department has failed to get tender offer under such category, the reason in detail must be mentioned in the *proceeding of the procurement committee meeting held for the purpose*.

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 the same 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 including Khadi and village Industrial units, Handloom, Handicraft units 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 quoted is by 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 and the price quoted.

Clause (7a and b) is illustrated below with the help of an example.

Illustrative Example:(7 a and b)

Let us assume that five organizations A,B,C,D and E quotes for an item to be procured by a Govt. Deptt/ Aided Agency of Govt. of Jharkhand

- A, B and C are organizations outside the State or Non- MSEs of the State and organizations D and E are MSEs of the State.
 - Organizations A, B and C, which are non- MSEs, quotes Rs. 140, Rs. 125 and Rs. 100 respectively for an item to be procured. Thus least price quoted (L_1) is by C.
 - Organizations D and E, which are MSEs of the State, quotes Rs. 115 and Rs.110 respectively for the item mentioned above.
 - Organization E is to be given the option of supplying maximum upto 20% of the required item at L_1 price provided the unit is having the production capacity to supply.
 - If the production capacity of E is not adequate to supply upto 20%, the balance (remaining quantity of 20%) procurement can be made from organisation D whose quoted price is also within eligible price band.
- (c) Local MSEs including Khadi and village industrial units, Handloom, Handicraft having BIS certification shall get an additional weightage of price band of 2% (in addition to $L_1 +15%$) in case such quality norm has not been specified in the tender issued for procurement.
- (d) Enterprises of the state, other than MSEs, will also be entitled for the price preference of L_1+5 within the price band. All other remaining conditions including quantum of supply order will be applicable as mentioned in a & b above and eligibility criteria as mentioned in 3 (i to 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 annually.
- 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 for the items by inviting limited competitive quotations / tenders 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 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 procured, then also the procurement of additional quantity shall be done through open tendering process .

9.0 Rate Contract

9.1 List of goods and services produced by State PSU's is 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-GoI/Director Industries/Director, Handloom, Sericulture and Handicraft/Chief Executive Officer, KVIB/Director, KVIC/Representative of DGS&D in the State.

State PSUs/Boards/Corporations shall be asked to furnish details of items being produced by them including their capacity of production, price build up of the items being offered and possible Govt. departments /Aided Agencies which are likely to consume these items. Information shall also be compiled from consuming Govt. Departments/ Aided Agencies about their level of consumption of such items, present process of procurement, the cost incurred in last procurement.

The above exercise will be completed within a period of 90 days by the aforesaid Committee and list of goods including its quantity, rate, quality norm. will be handed over to consuming department and State PSUs/Boards/Corporations before the commencement of new financial year. Open tendering by Govt. Departments/Aided Agencies will not be allowed for items under Rate Contract without the approval of the Committee.

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 in "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 shall be entitled to price preference for competing in the open tender as mentioned in Section 7(a), (b) &(c) of Jharkhand Procurement Policy – 2014. However all such units claiming price preference must fulfill all applicability/eligibility criteria stipulated in **section 3.0 and JIP-2012, para-18.1(i), [ii (a,b,c)]**. Similarly, enterprises of the State, other than MSE's ,will also be entitled for the price preference of L₁+ 5 within the

price band as mentioned in 7 (d), provided such enterprises fulfill eligibility criteria stipulated in section 3 (i to vii).

- 10.2 Procurement of minimum 20% of annual purchases of products produced and services rendered from MSE's, as mentioned in 10.1, shall be ensured by the State Govt. Department and Aided Agencies under the control of State Govt. in procurement through open tenders provided MSEs are prepared to supply at L₁ price
- 10.3 While preparing comparative price statement for evaluation of tender paper, the VAT payable in Jharkhand state shall not be included in the quoted price or selling price. However, any tax payable outside Jharkhand shall be added to the quoted price and selling 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:
- Tender forms for bidding shall be made available free of cost.
 - Earnest Money Deposit (EMD) shall be exempted.
 - MSEs shall be required to deposit only 10% of Security Deposit (SD)
 - Bill discounting facility shall be made available on Govt. orders.
- (ii) Non-MSE units of Jharkhand, fulfilling eligibility criteria as envisaged in para-3 (i to vii), will get 50% concession in EMD/SD only.
- (iii) Tendering Department of the State Government and Aided Agencies should start E-Procurement for Procurement value of Rs. 20 Lakh and above from MSEs.

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 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. Letter black listing the industry shall be circulated to all departments.
- 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 shall 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.

MSEs aggrieved with the unreasonable conditions in tenders floated by a Govt. Department/Aided Agency may, within 10 days of publication of tender, file a grievance petition with the grievance cell headed by Director, Industries by depositing a fee equivalent to 0.01% of tender value or Rs. 5000 whichever is lower. The case of applicant MSE will be disposed off by Director, Industries within a period of 20 days from the date of receiving the application. The aggrieved MSE, if not satisfied with the decision of Director, Industries, may appeal to the Appellate Authority headed by Secretary, Industries.
- 12.8 An awareness programme for Procurement In-charge of Govt. Departments/ Aided Agencies where procurement is done on large scale from MSEs, will be carried out twice in a year to familiarise them with the provisions of the policy.
- 12.9 Implementation of the provisions of Jharkhand Procurement Policy 2014 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.

- 12.10 The provisions of this policy shall replace all related provisions/ notifications/orders of the State Govt. issued in this regard earlier.
- 12.11 In case of any doubt the “ English Version” of the policy will be considered an authentic version.

Annexure-I

Items under ‘Exclusive List’, reserved for Purchase from State Micro and Small Enterprises (MSEs).

1. Agriculture Implements (Small and light agricultural implements costing upto Rs.50000 and conforming to quality norms of BIS or duly certified by JAMTTC or acknowledged certifying agency.)
2. Steel Furniture, Rack, Trunk, Almirah, Manual Trolley and Patient transfer Trolley.
3. (a) Transformer type welding sets conforming to IS:1291/75 (upto 600 Amps)
(b)Transformer (upto 200KVA) with 3 stars/ 4 stars rating of Bureau of Energy Efficiency
4. Aluminium Wire
5. Solar Lantern/ Street Lightning/ Solar Water Heater Geyser/ Solar Irrigation Pump
6. Alum
7. Deep well hand pump including its spare parts.
8. Office Stationery, Exercise books and Computer Stationery.
9. Fly Ash bricks and other fly ash blocks.
10. PSC pole, RCC hume pipe.
11. PVC pipe and UPVC pipe.
12. AAC/AAAC/ACSR Conductors.
13. Flour grinding.
14. Surgical cotton/Gauge and bandages
15. Paint and Varnish.
16. Safety boot and Leather boot/Canvas shoes
17. Irrigation shutter, panel and gate
18. Wax candle, Phenyl, Naphthalene ball and alum.
19. Broom.
20. Emergency light and Battery charger.
- 21.. Quick hydrated Line.
22. Sodium Silicate.
23. Barbed wire and Nails.
24. Lac
25. Jute Bags.
26. Rice and Pulses
27. Ground Spices
28. PVC Tank
29. Bus, Truck Body Building

30. PP/HDPP bag.

31. Bleaching Powder

Note- *Only upto 50% requirement of Govt. Departments and Aided Agencies in respect of items at Sl.3(b), 4 and 5 ie. Transformer (upto 200 KVA), Aluminium wire and Solar lantern/ Street Lightning/ solar Water Heater Geysers/ solar Irrigation pump or the capacity of MSE's, within State of Jharkhand , whichever is lower, will form part of 'Exclusive List' and remaining will be procured through 'Open Tendering'. The procurement of these items will be done without compromising quality at L₁ price quoted in 'Open Tendering'*
Tendering Departments shall adopt BIS specification/ Accreditation Norm of National Accrediting Agencies, wherever applicable, during procurement of items from 'Exclusive list'.

By order of the Governor of Jharkhand,
Himani Pande,
Secretary,
Industries Department,
Government of Jharkhand.
