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No. 2(3)/2006-MSME Pol

dated 3.11.2006

Sh. O.P. Rawat
Secretary
Deptt. of Commerce & Industries
Government of Madhya Pradesh,
Mantralaya, Vallabh Bhavan,
Bhopal-462004.

Sub: MSMED Act — Implementation

Sir,

During the course of meeting held on 18.10.2006 under the Chairmanship of Secretary (SSI & ARI) Shri Anupam Dasgupta, with Principal Secretaries and Secretaries of State Governments, Incharge of the Department relating to the Micro, Small and Medium Enterprises, several issues concerning filing of Entrepreneurs Memorandum, MSEs Facilitation Councils, Procurement Preference for MSEs, Reservation etc. were raised. A Note covering important issues raised in the meeting and the observations/conclusions drawn thereon is enclosed for ready reference.

2. You are requested to take appropriate action and to also let us know your progress/problems.

Yours faithfully,

(Jawhar Sircar)
AS& DC(SSI)

Encl: as above

Note covering the important issues and conclusions drawn during the meeting of the Principal Secretaries/Secretaries to State Governments, incharge of the Departments relating to MSMEs

I. Memorandum

(1) The following decisions were taken:-

(a) Copies of the memoranda would be get printed and circulated to all the DICs by the end of October 2006 by all the states.

(b) Officers in the DICs would be sensitised about the salient provisions of the MSMED Act , 2006 and especially about the provisions relating to the filing of the Memoranda.

(c) The DICs in turn would call all the associations and leading entrepreneurs to sensitise them about the provisions.

(d) The states would get the form of 'memorandum' translated into their local languages for appropriate utilisation.

(e) The states would effectively propagate the benefits of filing of memorandum and make an effort to incentivise the filing of memoranda by micro and small enterprises, which would also be one of the areas of focus of the Ministry during the Eleventh Plan.

(f) The State Governments would also make an effort to enable on-line filing of memoranda by enterprises (like the States of Tamil Nadu and Andhra Pradesh. etc.)

(g) The State Governments should make the form of memorandum available on their websites.

(h) The legislation forbids any mandatory inspection of an enterprise as a pre-requisite condition for accepting the memorandum filed by an enterprise. The States are, however, free to adopt the condition of filing of a memorandum as necessary for availing benefits under the assistance schemes of the State Governments concerned. While doing that the State Governments may also keep in mind the fact that the Government of India does not want to unleash another Inspector Raj for the MSMEs and would like any such provision in the assistance schemes of the State Governments to be least intrusive.

II. MSEs Facilitation Councils

(1) States would ensure (i) by 30 November, 2006 the MSEFCs Rules pertaining to their states are notified and (ii) the MSEFC (s) constituted.

(2) Individual States may take a view (as point out by Principal Secretary, Tamil Nadu) about raising resources for reference to agencies for conciliation/dispute resolution by MSEFCs, including inter alia, considering the fee to be charged

(c) The State Government may consider appointing officers at an appropriate level (of Additional Director or Joint Director of Industries (MSME) Department) as the heads of MSEFCs (when there are more than one in their state) by declaring their equivalence to the Directors (for such performance) under their Rules to be framed

III. Procurement Preference for MSEs

(1) It was clarified that the points circulated during the first meeting and the presentation made by CMD, NSIC were at a very preliminary draft stage for consultation with other stakeholders, including, inter alia, associations, other Ministries/Departments of the Government/PSUs of the Government of India, etc.

(2) Principal Secretaries/Secretaries were requested to communicate their views on the contents of the presentation.

(3) The following observations were made by the participants:-

(a) It might not be possible for the Principle Secretaries to convince their state governments on the efficacy of shifting to a 20% provision relating to purchases from MSEs by all Ministries/Departments/PSUs of the Government of State Governments (Principal Secretary, Madhya Pradesh, Uttar Pradesh, etc.)
(b) Earlier provision for reservation in procurement was more 'enforceable' than the proposal mooted now. (Principal Secretary, Madhya Pradesh).
(c) The proposed reservation for disadvantaged section of MSEs, like women owned enterprises, is likely to be misused (Principal Secretary, NCT of Delhi).
(d) Ensuring compliance byMSEs in timely supply and quality enforcement is an issue of concern (Director, Industries, Kerala).

(4) The following points were summarized by AS & DC (SSI):-

(a) No punishment provision for non-compliance initially.
(b) Reporting of the status of compliance through Annual Reports in Government of India can be quite effective.
(c) There is a need for website linkage between NSIC, DGS&D and State Industrial Development Corporations.
(d) The implementation of the Single Point Registration Scheme can be improved.
(e) The SISIs and other institutions of the Ministry of SSI & Ministry of ARI can be utilised by NSIC for improved coverage of MSEs under SPRS.
(f) Tenders should not mention brand names for procurement, since this methodology effectively rules out procurement from MSEs.

IV. SICDP

(1) The states should utilise the SICDP for effective and comprehensive deployment of resources for the promotion & development of MSMEs located in different clusters in their states..

(2) Proposal from states need to be expedited.

V. Reservation

(1) Secretary (SSI & ARI) made the following observations:-

(a) Within three years (beginning 2006-07), the policy of reservation of products for exclusive manufacture by Micro and Small Enterprises would seize to exist after a careful scrutiny and consideration of the list of products reserved as on date. The criteria for such scrutiny would comprise, inter alia:-

(i) Employment provided by the units manufacturing the specific item.

(ii) Number of units (enterprises) engaged in the manufacture of the specific product.

(iii) Whether the production of the specific item by the MSEs located in any particular state exceeds 1% of the industrial production of the said state, etc.

(2) The Ministry of Small Scale Industries would share the list of such items with the States and would elicit their views on the support measures that would be required by the enterprises that might be affected because of the proposed de-reservation by the year 2008-09. The communication on this issue is being sent separately.

VI. Other Issues

(1) Secretary (SSI & ARI) made the following observations in his concluding remarks :-

(a) Considering the world-wide emphasis on the MSMEs as an area of focus for future growth and employment generation, it would be necessary for the individual states to establish a Department dedicated to the promotion and development of MSMEs. If in some states such a dedicated Department cannot be carved out, a dedicated Cell within the Industries Department (at the level of at least a Deputy Secretary) to look after the sector would have a salutary impact on the development of the MSMEs.

(b) Since Cluster Development and other issues likely to emerge out of the Eleventh Plan recommendations would necessitate specialisation and concentrated attention, training institutes like EDIs, etc., would need to be strengthened for training in entrepreneurship, business development or skill development.

(c) The State Governments should make a serious effort to sensitise and re-train the staff in the DICs. The Government of India would readily share the services of its

training institutes including NISIET, NIESBUD, IIDs, Tool Rooms, etc., if such requirement could be spelt out.

उद्योग संचालनालय, मध्यप्रदेश
(लघु उद्योग क्र.)

क्रमांक 45/ल॰उ॰/29/06 /7018-7085 भोपाल, दिनांक 15/12/06

प्रतिलिपि:-

महाप्रबंधक, जिला व्यापार एवं उद्योगकेन्द्र, जबलपुर
की ओर आवश्यक कार्यवाही हेतु प्रेषित।

संयुक्त / उप/सहायक उद्योग संचालक, ... उद्योग
संचालनालय की ओर आवश्यक कार्यवाही हेतु।

(डॉ0 मोहन तिवारी)
सहायक उद्योग संचालक
कृते उद्योग आयुक्त॰