

Procurement Support to Startups

as per Arunachal Pradesh Startup Policy 2021

1 Preamble

The Government of India has announced 'Startup India' Initiative for creating a conducive ecosystem for the growth of Startups in India. Following this lead, aligning with the Atmanirbhar Bharat Mission and aiming to utilize the entrepreneurial potential of the youth in the State, the Government of Arunachal Pradesh has decided to strengthen the State Startup ecosystem.

A draft policy on Startups is already prepared by the Investment Division, the nodal agency for Startups in the State. In the budget speech of 2021-22 as well, the State Government has announced support to create a robust Startup ecosystem in the State.

One of the key support areas is providing the opportunity to Startups to participate in the public procurement activities conducted by State Departments and Public Sector Undertakings. This is also mandated in the State Starting Ranking Framework developed by Startup India.

A relevant section from the Startup India portal is provided for context as follows.

"Imagine the Government offices equipped with solar-powered lightings, AI-enabled grievance redressal systems, and water recycling machines. These innovations have the potential to augment Government operations at a scale. Startups are very dynamic in nature, work with limited resources and lack experience working with Government Departments in public procurement. It goes without saying that any product needs a buyer and any startup needs access to market to breakeven and sustain against the competition. The biggest buyer in India is the Government Departments! Startup India has created procurement channels to bridge the gap between departments and startups."

2 Target Beneficiaries under the Policy

All Startups shall be the target beneficiaries under this policy.

'Startups' shall be defined as per the Ministry of Commerce and Industry's Notification G.S.R. 127(E) dated April 11, 2018 as modified vide Gazette Notification No. G.S.R. 34 (E) dated January 16, 2019, as amended from time to time.

As per the current definition, an entity shall be considered as a Startup:

- i. Up to a period of ten years from the date of incorporation/ registration, if it is incorporated as a private limited company (as defined in the Companies Act, 2013) or registered as a partnership firm (registered under section 59 of the Partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act, 2008) in India.
- ii. Turnover of the entity for any of the financial years since incorporation/ registration has not exceeded one hundred crore rupees.

iii. Entity is working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation.

Provided that an entity formed by splitting up or reconstruction of an existing business shall not be considered a 'Startup'.

3 Policy Provisions

The Startups shall be allowed to avail the following benefits under the Policy.

(i) Purchase Preference

Out of all goods and services that will be procured by Arunachal Pradesh Ministries/ Departments/ PSUs, at least 20% of such goods and services, if made available by startups, will be procured from eligible startups.

As per the current provisions of Government of India's Micro and Small Enterprises (MSE) Policy (refer order no. 503 dated 23 march 2021), the participating bidder registered under MSE Act in a tender for supply of goods or services, quoting price within the band of L1+15% would be allowed to supply a portion of the requirement by bringing down their price to the L1 price, in a situation where L1 price is from someone other than an MSE. Such MSEs would be allowed to supply up to 20% of the total tendered value. In case of more than one such eligible MSE, the supply will be shared proportionately. Further, out of 20% allocation, a sub-target of 4% (i.e. 20% out of 20%) will be earmarked for procurement from MSEs owned by SC/ST entrepreneurs. However, in the event of failure of such MSEs to participate in the tender process or meet the tender requirements and the L1 price, the 4% sub-target for procurement earmarked for MSEs owned by SC/ST entrepreneurs will be met from other MSEs proportionately. The MSEs, who are interested in availing themselves of these benefits, will enclose with their offer the proof of their being MSE registered with any of the agencies mentioned in notification No.503 dated 26.03.2012, as printed in the Gazette of India.

In Arunachal, the Startups will be provided the same preference – subject to meeting of quality and technical specifications and with the exceptions for critical items related to defense and securities.

(ii) Relaxation of public Procurement Norms

To ease regulatory compliance for startups bidding for Government projects, all State-registered startups will be exempt from the criteria of prior experience, prior turnover, and submission of Earnest Money Deposit (EMD) and Bid Security. This will be as per the provisions of Amendment to the Rule 170 (i) of General Financial Rules (GFR), 2017, as may be further amended from time to time.

(iii) Procurement through GeM Startup Runway

The Startup India team has worked with Government e Marketplace (GeM) to enable the DPIIT Recognized startups to register and sell their products directly to the Government Departments. All Departments and PSUs are encouraged to procure goods and services from Startups through GeM Startup Runway wherever possible.

(iv) Trial Orders

A Trial Order is an opportunity for a Startup to work on a trial order with the Government. These trial orders give the buyer an option to test waters and be sure while procuring never-before-seen products.

All State Departments and PSUs shall take cognizance of the above provisions to procure goods and services from Startups and allow exceptions where applicable.

4 Central Portal for Public Procurement (CPPP)

Startup India has also integrated with the Central Portal for Public Procurement (CPPP). All Government Departments and PSUs have a mandate to e-publish all tenders on CPPP. DPIIT Recognized startups can register on the portal using their DIPP Number, become a 'Preferred Bidder' and participate in all the tenders listed on the platform orders. Startup India's partnership with CPPP portal has facilitated procurement through three websites namely:

- Eprocure.gov.in for Government Department's procurement
- Defproc.gov.in for Defence procurement
- Etenders.gov.in for PSU's procurement

5 Self Certification and Compliance

Eligible startups will be exempted from the inspection under the following acts and the rules framed thereunder, barring inspections arising out of specific complaint. Startup will be permitted to file self-certification in prescribe format

- The Building and Other Constructions Worker's (Regulation of Employment and Conditions of Services) Act, 1996
- The Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979
- The Payment of Gratuity Act, 1972
- The Contract Labor (Regulation and Abolition) Act, 1970
- The Employee's Provident Fund and Miscellaneous Provision Act, 1952
- The Employee's State Insurance Act, 1948

Departments and PSUs shall take cognizance of the above exceptions and allow Startups to self-certify where applicable.

6 Procedure to Avail Benefits

To avail the above benefits, startup projects will have to submit a copy of the Udyog Aadhar/ Udhyaami Registration and CSPO/NSIC/GeM registration, along with a copy of approval / registration as a startup project from the Central Government and/or the State Government, including the unique registration number obtained from State Startup Portal.

To avail the GeM benefits, Startup will have to register on GeM portal. For more information the startups can visit the website of GeM portal on following link:

https://gem.gov.in/training/training_module

Startups can access all the necessary information related to GeM portal such as introduction, registration as seller, catalogue management, Bid participation, Order fulfillment process etc. through video tutorials as well as PDFs.

7 Grievance Redressal

The Investment Division has the mandate to have an institutionalized mechanism to address requests or grievances submitted by startups for any public procurement related matters. Investment Division shall contact State Departments and PSUs to seek clarification regarding such grievances. Departments and PSUs to consider such queries on priority and revert in a time bound manner.

8 References

1. Ministry of Commerce and Industry's Notification G.S.R. 127(E) dated April 11, 2018 as modified vide Gazette Notification No. G.S.R. 34 (E) dated January 16, 2019
2. Ministry of Micro, Small & Medium Enterprise's Policy Circular No. 1(2)(1)/2016-MA dated 10th March 2016
3. Amendment to the General Financial Rules by the Ministry of Finance vid. Office Memorandum dated 25th July 2017
4. Ministry of Finance's Office Memorandum dated 27th July 2017
5. https://www.startupindia.gov.in/content/sih/en/public_procurement.html