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Ref.No.MAIT/PY/2668

March 16, 2023

Shri T V Somanathan, IAS
Secretary - Expenditure
Ministry of Finance

Subject: Requesting Exemption for ZED-certified MSMEs from the burden of Performance Guarantee

Respected Sir,

Greetings from MAIT!

We are writing to seek an **exemption** for Micro, Small, and Medium Enterprises (**MSMEs**) that hold **Zero Defect Zero Effect (ZED)** certification from providing a **Performance Guarantee** for signing a contract upon successful bidding. As you may know, ZED certification is a quality assurance program that recognizes and rewards MSMEs for their commitment to producing high-quality products with minimal impact on the environment.

As per Rule 171 of General Financial Rules 2017, Performance Security is to be obtained from a successful bidder awarded the contract to ensure the due performance of the contract, Similar provisions also exist in the Manual of Procurement of Works 2019 and Manual of Procurement and Consultancy & Other Services 2017 issued by this department.

While ZED certification is a significant achievement for MSMEs, it often comes with an additional financial burden in the form of performance guarantees during the bidding process. These guarantees can be challenging for MSMEs to obtain, particularly when they are already facing financial constraints.

As an MSME that has received ZED certification, **MAIT** strongly believes that MSMEs should be exempted from providing a performance guarantee. ZED certification already serves as an assurance of commitment to quality, and the rigorous assessment process that any MSME underwent to obtain this certification should be sufficient evidence of their ability to deliver on promises.

Exempting MSMEs with ZED certification from performance guarantees would not only reduce the financial burden on these businesses but also encourage more MSMEs to participate in the ZED certification program. This, in turn, would help promote a culture of quality and sustainability in the MSME sector, which is critical for its long-term growth and success.

MAIT requests the Ministry to consider its representation and take necessary steps to exempt MSMEs with ZED certification from providing performance guarantees. MAIT is confident that this step will go a long way in supporting the growth and development of the MSME sector in our country and helping achieve our PM's vision of "**Atmanirbharta**".

We are sanguine that our request will be answered in a positive manner.

Warm regards,

Col. AA Jafri, Retd.
Director General

CC: Dr. Rajneesh, DC, MSME
CC: Dr. Ishita Ganguly Tripathi, ADC, MSME
CC: Shri Kanwalpreet, Director, Public Procurement, DoE, MoF