



PROCUREMENT MANUAL

A World Bank Assisted Project on

Vocational Training Improvement Project

Government of India

DGE&T, Ministry of Labour & Employment

**Central Project Implementation Unit
New Delhi**



Table of Contents

Clause No.	Item	Page No
	TABLE OF CONTENTS	1
	ABBREVIATIONS	2-3
1.	INTRODUCTION	4
2.	PROJECT NAME AND DESCRIPTION	4-7
3.	DEFINITIONS	8
4.	IMPORTANT DETAILS	9
5.	PROCUREMENT OF GOODS AND WORKS	10-48
6.	HIRING OF CONSULTANTS	49-55



ABBREVIATIONS

AHI	Apex Hi-tech Institute, Bangalore
ATI	Advanced Training Institute
BBBT	Broad Based Basic Training
BOQ	Bill of Quantities
CN	Consignment Note
COE	Centre of Excellence
CPWD	Central Public Works Department
CSS	Centrally Sponsored Scheme
CVC	Central Vigilance Commission
CW	Civil Works
DEA	Department of Economic Affairs
DC	Direct Contracting
DGE&T	Directorate General of Employment & Training
DGS&D	Directorate General of Supplies & Disposals
EDUSAT	Educational Satellite
EPI	
FTI	Foremen Training Institute
GFR	General & Financial Rules
GOI	Government of India
GPN	General Procurement Notice
HTW	Hi-tech Training Wing
ICB	International Competitive Bidding
IDA	International Development Association
IDP	Institutional Development Plan
IFB	Invitation for Bid
IFD	Integrated Finance Division of MoL&E
IIT	Indian Institute of Technology
IMC	Institutional Management Committee
INR	Indian Rupee
ITB	Instruction to Bidders
ITC	Instructions to Consultants
ITI	Industrial Training Institute
ITW	Instructor Training Wing



LIB	Limited International Bidding
LOI	Letter of Invitation
LPP	Last Purchase Price
LR	Learning Resource/ Lorry Receipt
MoL&E	Ministry of Labour & Employment
MOF	Ministry of Finance
MOU	Memorandum of Understanding
NCB	National Competitive Bidding
NPD	National Project Director
NPIU	National Project Implementation Unit
PAO	Principal Accounts Office, MoL&E
PLA	Personal Ledger Account
PIP	Project Implementation Plan
PMU	Project Management Unit
PRI	Panchayati Raj Institution
PS	Prudent Shopping
PWD	Public Works Department
QCBS	Quality and Cost Based Selection
RBI (CAS)	Reserve Bank of India (Central Accounting Section)
RFP	Retroactive Financing Period
RIVTS	Reforms and Improvement in Vocational Training Services (World Bank assisted project)
RR	Railway Receipt
SPIU	State Project Implementation Unit
TOR	Terms of Reference
UC	Utilisation Certificate
UNDB	United Nations Development Business
UT	Union Territory
VTIP	Vocational Training Improvement Project
WBR No.	World Bank Reference Number



1.0 INTRODUCTION

The purpose of this Manual is to inform the concerned State Directors and other officers, the objectives of the project, guidelines for implementation of the project and to keep the States/ DGE&T officers informed about various procurement procedures applicable to this project. As the responsibility for the implementation of project, award and administration of contracts lies with the Borrower, it is important to get acquainted with the procurement procedures of the World Bank. A set of Guidelines have been published by the World Bank which need to be understood and followed by the State Governments so as to enable them to procure 'Works', 'Goods' and 'Consultant Services' in conformity with these guidelines. Adoption of these procedures will ultimately result in efficient procurement and will enable the Borrower to claim reimbursement of funds spent from the Bank within the stipulated time frame.

2.0 PROJECT NAME AND DESCRIPTION

Externally Aided Project on **“VOCATIONAL TRAINING IMPROVEMENT PROJECT”**
(Centrally Sponsored and Central Sector schemes with World Bank assistance)

2.1 DESCRIPTION OF THE PROJECT:

The project is national in scope covering 30 States/ UTs in which the Industrial Training Institutes (ITIs) are located. The project will be implemented under the coordination and direction of the Directorate General of Employment and Training in the Ministry of Labour and Employment, to improve the quality of training in ITIs and to upgrade the training infrastructure in government ITIs into 'Centres of Excellence'.

Hon'ble Finance Minister in his budget speech 2004-05 (and repeated in the Budget Speech 2006-07) has stated the following:



“I am concerned about the quality of technical education in the country. Lest I be misunderstood, I am not referring to the IITs but to the ITIs. ITIs are the training ground for skilled manpower. The skills imparted by ITIs must keep pace with the technological demands of industry and the expanding universe of knowledge. There is only one benchmark for our technicians – and that is the world standard. In order to produce technicians of world standard, Government proposes to launch a programme in the Central sector to upgrade 500 ITIs over the next 5 years at the rate of 100 ITIs a year. Appropriate infrastructure and equipment will be provided, the syllabi will be upgraded and new trades will be introduced. This is an area where I welcome Chambers of Commerce and Industry to join hands with the Government and create a public-private partnership model for designing and implementing the scheme. The selection of the ITIs will be done in consultation with the State Governments”.

Consequent upon the Hon'ble Finance Ministers' Budget speech, MoL&E took up the ambitious project for upgradation of ITIs into Centres of Excellence (COE). Further, on advice from the Ministry of Finance, the first batch of 100 ITIs in 22 States/ UTs were taken up for upgradation into COE through domestic funding aggregating to Rs 160 crores and for the remaining 400 ITIs, external funding is being sought from the World Bank.

2.1.1 Centrally Sponsored Scheme :

Out of 500 government ITIs proposed for upgradation into Centres of Excellence (COE), the first batch of 100 ITIs are already being taken up in 2005-06. The remaining 400 ITIs are to be upgraded through World Bank assistance.

The highlights of the scheme are introduction of multi-skilling courses during the first year (BBBT), followed by advanced/ specialized modular courses subsequently by adopting industry wise cluster approach, multi entry and multi exit provisions, and Public-Private-Partnership in the form of Institute Management Committees (IMCs) to ensure greater & active involvement of industry in all aspects of training. The World Bank has further proposed that, in addition to upgradation of ITIs into 'Centres of Excellence', the State Government may also opt for upgradation of some of the existing trades and refurbishing of



ITIs. Also, in case some State Government wants to take up only upgradation of the trades (due to non availability of industry concentration in and around ITIs), the same may also be permissible. Each State Government has to sign an MOU with the Centre, in this regard.

The project is proposed to be implemented over a time period of 5 years. The cost of the project will be shared on a 75:25 cost-sharing basis i.e. 75% of the cost will be contributed by the Central Government while 25% of the cost will be contributed by the respective State Governments as the State share.

Bank financing of the Gov share of the project cost is estimated at **US \$ 250 Million (Rs. 1150 crore)** including contingencies. The State Governments will be putting in **25%, as the State share**, which will add up in the total project cost.

The implementation of the first batch of 100 ITIs (out of 400) has commenced with effect from August 2006-07. These 100 ITIs will be retroactively financed by the World Bank subject to conditions the ITIs meet the eligibility criteria and that the expenditures have been made in accordance with the guidelines of the Bank, published in May 2004 and as amended from time to time, and that retroactive financing to cover this expenditure is agreed in the final project agreement. These ITIs are also to submit IDPs. The remaining 300 ITIs are proposed to be selected, from various States on the basis of IDPs and competitive selection.

Apart from the above, assistance from the World Bank is also being sought for (i) Establishment of Instructor Training Wings in State ITIs, and (ii) for Central Institutes viz Apex Hi-tech, Bangalore; National Instructional Media Institute(NIMI), Chennai; Central Staff Training and Research Institute(CSTARI), Kolkata and Advanced Training Institutes; Foremen training Institute, Bangalore and National Vocational Training Institute for Women, Noida, under DGE&T, MOLE

3.0 DEFINITIONS

“Project” means Externally Aided Project on “Vocational Training Improvement Project” rendered by the Central and State Governments (World Bank Assisted Project).

“Accounting Year”, “Year”, or “Financial Year” mean the year commencing from 1st of April and ending on 31st of March of succeeding year.

“Package” means clubbing of similar types of equipment.

“Committed expenditure” means expenditure for which firm purchase orders/ work orders have been placed and includes the bills pending for payment.

“NPIU” means National Project Implementation Unit set up by Ministry of Labour & Employment for facilitating, implementing, coordinating and monitoring Project activities at the National level.

“SPIU” means State Project Implementation Unit to provide support to the Secretary/ State Director in charge of Vocational Training, in facilitating, implementing, coordinating and monitoring the Programme activities at the State level.

“PIP” means Project Implementation Plan for the Project

“Project Institution” means an Industrial Training Institute (ITI) as defined in PIP, duly selected for support under the Programme.



4.0 IMPORTANT DETAILS

4.1 NAME OF THE PROJECT :

EXTERNALLY AIDED PROJECT ON “**VOCATIONAL TRAINING IMPROVEMENT PROJECT**” EXECUTED BY THE CENTRAL AND STATE GOVERNMENTS OF INDIA.

4.2 IDA CREDIT NO. : _____ IN (to be allotted)

4.3 PARTICIPATING STATES : 34

4.4 IMPORTANT DATES :

Date	
Singing of Agreement	
Effectiveness	
Completion	December 2011 (tentative)
Closing	August 2012

SECTION – I

5.0 PROCUREMENT OF GOODS AND WORKS

5.1 PROCUREMENT ARRANGEMENTS

- (i) MoLE and States would decide the number of ITIs to be selected each year [Start year 2006-07 (under Retroactive Financing), 2007-08, 2008-09 and end year-2009-10], and the sectors to be selected for upgradation as COE. The State may also opt for upgradation of popular trades, and prepare a procurement plan containing the procurement schedule and procurement arrangements for the entire project period giving year wise breakup in respect of items to be procured during execution of the project.
- (ii) The participating States will act in close coordination with ITIs and IMCs to decide on the probable sectors to be selected for COE and thereafter prepare IDPs indicating detailed requirement in respect to civil works, equipment procurement and other miscellaneous requirement. SPIU will then forward these IDPs to MoLE for approval. No procurement will take place without getting the IDPs cleared from MoLE.
- (iii) Except for International Competitive Bidding (ICB) packages (if any), the procurement of civil works, goods and services will occur at the State Directorate of Employment & Training level under NCB. ITIs will be empowered to procure up to the limits specified in the MOU signed between the State Government and MoLE. However, ITIs may opt to procure certain items through the SPIU. The details of requirement including the cost of civil works, goods and services for each institution will be reflected in the IDP and will vary from proposal to proposal for each state as per their needs. ICB packages, if required, will be procured after consolidating requirement of all participating states and thereafter these will be processed at the central level at DGET, New Delhi.
- (iv) Goods and works shall be procured in accordance with the provisions of Section I of the “Guidelines for Procurement under IDA Credits” of May 2004 as amended upto date. The limits upto which a particular method of procurement can be applied for procurement of various goods, civil works and consultant services will be applicable as per the details contained in the legal agreements and reproduced in this manual in the Table for ‘Thresholds for Procurement Methods and Prior Review’.



(v) Procurement of consultancy services exceeding US\$ 100,000 equivalent will be done at the central level (DGET, New Delhi) while all other services shall be procured at the SPIU level. There will be no procurement of consultancy services at the level of the ITIs.

(vi) The Programme does not envisage large-scale civil works under the State Sector scheme, but has provision to meet essential requirements of developmental plans of institutes for acquiring excellence. Apex Hi-tech Institutes under Central sector may have more civil construction as these will be new institutions coming up and will include workshop building, administrative block and hostel blocks etc. Three types of activities under civil works are envisaged: (a) construction of buildings as extensions for accommodating additional workshops, (b) refurbishing of existing infrastructure, and (c) improvement of facilities.

(viii) Each State Government will be required to have dedicated staff who will undertake the responsibility of obtaining necessary layout drawings and scrutinise the estimates submitted by the PWDs/ other construction agencies and thereafter monitor the activities on a monthly basis so that the construction agencies are made to adhere to the time schedule to enable timely completion of the activities and corresponding utilisation of allotted funds.

(ix) In case the State Government decides to utilize the services of the State PWD and/ or any other competent agency for civil works, the PWD and these agencies shall act as the procurement agent and shall procure the civil works under the project, following the procurement procedures outlined herein. Similarly any procurement agents hired under the project shall follow these guidelines. Agencies selected, as procurement agent including PWD, cannot simultaneously act as construction agencies i.e. cannot carry out the construction work by themselves. However, PWD could take up construction activities by themselves only under “force account”. Since PWD is a Government department, no fee can be paid to them under the project. If there is a fee to be paid to them, it will be paid from the State’s own budget. This provision will also apply to those government undertakings which are under the administrative control of the same ministry/department at Central/State level under which project is being implemented.



5.2 THRESHOLDS FOR PROCUREMENT METHODS AND PRIOR REVIEW

5.2.1 CIVIL WORKS

Expenditure Category	Value (threshold) per contract	Procurement Method	Contracts Subject to Prior Review / Post Review
Civil Works	a) Civil works estimated to cost more than US\$ 1.0 million [> INR 46 million] equivalent	International Competitive Bidding (ICB)	Prior review by the Bank (in accordance with paragraphs 2 and 3 of Appendix 1 to the <i>Guidelines for Procurement under IBRD Loans and IDA Credits</i> of May 2004)
	b) Civil works estimated to cost more than US\$ 100,000 [> INR 4.6 million] and less than or equal to US\$ 1.0 million [<= INR 46 million] equivalent	National Competitive Bidding (NCB)	First works contract from any one of the States under NCB regardless of value and all contracts costing more than US\$ 300,000 equivalent [INR 13.8 million] each will be prior reviewed by the Bank (in accordance with paragraphs 2 and 3 of Appendix 1 to the <i>Guidelines for Procurement under IBRD Loans and IDA Credits</i> of May 2004)
	c) Civil works estimated to cost the equivalent of US\$ 100,000 or less (<= INR 4.6 million)	Shopping (at least three quotations from qualified contractors)	All other contracts by post review Post review only
	d) Civil works estimated to cost the equivalent of US\$ 20,000 or less (<= INR 920,000)	As a last resort, by Force Account	Post review only



5.2.2. GOODS

Procurement of Goods	Value (threshold) per contract	Procurement Method	Contracts Subject to Prior Review / Post Review
Goods/ Equipment/ Machines	Contracts estimated to cost more than US\$ 1.00 million equivalent (>INR 46 million)	International Competitive Bidding (ICB)	Prior review by the Bank (in accordance with paragraphs 2 and 3 of Appendix 1 to the <i>Guidelines for Procurement under IBRD Loans and IDA Credits</i> of May 2004)
Goods/ Equipment/ Machines	Contracts estimated to cost more than US\$ 100,000 and <= US\$ 1.00 million equivalent (>INR 4.6 million but < INR 46 million)	National Competitive Bidding (NCB)	First contract from any one of the States under NCB regardless of value and all contracts costing more than US\$ 300,000 equivalent (INR 13.8 million) each will be prior reviewed by the Bank (in accordance with paragraphs 2 and 3 of Appendix 1 to the <i>Guidelines for Procurement under IBRD Loans and IDA Credits</i> of May 2004) All other contracts by post review
Equipment/ Materials/ Tools	Contracts estimated to cost less than or equal to US\$ 100,000 equivalent (<= INR 4.6 million)	Shopping (includes issue of supply orders under DGS&D rate contracts)	Post Review only
Equipment Tools &	Proprietary items estimated to cost less than or equal to US \$ 20,000 equivalent (<= INR 920,000)	Direct Contracting	Post Review only



5.2.3 FURNITURE

Furniture	Contracts estimated to cost less than or equal to US\$ 50,000 equivalent (<= INR 2.3 million)	Shopping (includes issue of supply orders under DGS&D rate contracts)	Post Review only
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5.2.4 BOOKS AND LEARNING RESOURCES

Books, Periodicals, Proprietary Software, Learning Resources and Educational Materials	Contracts estimated to cost US\$ 20,000 equivalent or less (<= INR 920,000)	Direct Contracting	Post Review only
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5.2.5 VEHICLES

Vehicles	Contracts estimated to cost US\$ 50,000 equivalent or less (<= INR 2.3 million)	Shopping (includes issue of supply orders under DGS&D rate contracts)	Post Review only
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5.2.6 SMALL ITEMS

Small Items (Hand Tools, Measuring equipment etc.)	Contracts estimated to cost US\$ 500 equivalent or less, but up to an aggregate cost of US\$ 100,000 per Institute (<= INR 23,000 upto an aggregate cost of INR 4.6 million per institute)	Direct Contracting	Post Review only
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5.2.7 SERVICES

Expenditure Category	Value (threshold) per contract	Procurement Method	Contracts Subject to Prior Review / Post Review
Services Procurement agent, research contracts, professional services, training, workshops & fellowships etc.	Contracts estimated to cost: (a) More than US \$ 500,000 equivalent [>INR 23 million]	Consultant services may be procured by: Quality and Cost Based Selection (QCBS) – International Shortlist	Prior Review of all consultant contracts estimated to cost more than US\$ 100,000 equivalent [INR 4.6 million] by the Bank (in accordance with the provisions of <i>Guidelines for Selection and Employment of Consultants by World Bank Borrowers</i> of May 2004). All other cases: Post Review
	(b) Less than or equal to US\$ 500,000 equivalent [<= INR 23 million]	Quality- and Cost-Based Selection (QCBS). Short list may comprise entirely of national consultants	- do -
	(c) Less than or equal to US\$ 200,000 equivalent [<= INR 9.2 million]	Quality Based Selection (QBS)	- do -
	(d) Less than or equal to US\$ 100,000 equivalent [<= INR 4.6 million]	Single source / Least Cost selection of firms	Post Review only
	(e) Less than or equal to US\$ 50,000 equivalent [<= INR 2.3 million]	Hiring of individuals	Post Review only



5.2.8 MISCELLANEOUS

Expenditure Category	Value (threshold) per contract	Procurement Method	Contracts Subject to Prior Review / Post Review
Miscellaneous			
Incremental Operating Cost.	Maintenance of equipment, vehicles and buildings, hiring of vehicles and offices, and consumables may be procured by: (i) Contracts estimated to cost not more than US \$ 5,000 equivalent [\leq INR 230,000] (ii) Contracts estimated to cost more than US\$ 5,000 equivalent, up to US\$ 50,000 equivalent [$>$ INR 230,000 but up to INR 2.3 million]	Direct Contracting/ Shopping Shopping	Post Review only Post Review only

5.3 RESPONSIBILITIES AND INVOLVEMENT OF THE STATE GOVERNMENT IN PROCUREMENT ACTIVITY :

5.3.1 All procurement under NCB will be carried out at the respective State Government level. ITIs will be empowered to procure up to the limits specified in the MOU signed between the State Government and MoLE. However, ITIs may opt to procure certain items through the SPIU. It should be ensured that all the equipment are as per the standard list of tools and equipment prescribed under the syllabi of the respective sector/ trade or as per the list of approved schemes of DGE&T. Further, the equipment should pertain to only those institutions/ sectors / trades which are duly approved and agreed under the project. The equipment list should be duly endorsed by respective IMCs



5.3.2 As per the project guidelines all procurement cost for SPIU, upgraded ITIs, COEs, and ITWs under the project is to be shared in the ratio of 75:25 between the Central and the State Government.

5.3.3 CIVIL WORKS

(i) For execution of civil works, the respective State Governments and ITIs will be responsible. The State Governments may, however, take up additional construction works out of their own State Plan budget, but may ensure the structural stability of such additional civil construction work. The space norms for various sectors should be as per the curricula.

(ii) Normally, the works are to be got done through PWD/ CPWD, wherein these agencies will act like procurement agents and will follow the procurement guidelines specified herein, while procuring the works under this project. The work could also be got executed through other State agencies competent to carry out the civil works and these will also act as procurement agents.

5.3.4 INVOLVEMENT OF DGE&T IN PROCUREMENT

ICB procurement, if required, shall be done by NPIU at the central level after consolidating similar requirements of equipment of all State Governments. Such procurement will be carried out by through a Procurement Agent. This procurement agent will be hired by DGET following World Bank's Consultancy Guidelines.

5.4 ASSESSMENT OF REQUIREMENT

ITIs will assess their requirements for procurement of works and goods for each project year and will reflect these in their IDPs. IDPs will be forwarded to DGET through SPIU for approval.

5.5 PROCUREMENT PLAN

5.5.1 Procurement plan is essentially planning of what procurement of goods and works is to be carried out and at what time during the year. Thus preparation of a procurement



plan is a necessary requirement. It is a tool for proper monitoring and execution of procurement activities.

Procurement plan covering civil works, supply of equipment, goods and resource support shall be prepared every year of the project in the World Bank's format. Those contracts which are expected to be awarded in the year should only be mentioned in the procurement plan of that year.

- 5.5.2** Selected ITIs, as per their approved IDPs, will prepare contract wise annual procurement plan/schedule. All procurement plans/schedules will then be approved and consolidated at the State level by SPIU. One procurement plan will be for civil works and one for goods listing the items/ works to be procured, their estimated value and method of procurement. Methods of procurement to be adopted as well as review of contracts by the World Bank will be decided based on the total value of a tender rather than on the value of each individual contract/ schedule/ lot/ slice. Similarly, SPIU will prepare its procurement plan/schedule for services to be hired. NPIU will also prepare annual procurement plan/schedule for works, goods, and services to be procured at their level.
- 5.5.3** Methods of procurement shall be based on the total value of the tender, urgency of the demand, type of goods, works and services and availability of different sources of supply etc. Limit of value per contract applicable to a particular procurement method shall be strictly adhered too. It shall also be ensured that the procurement of goods and works is carried out strictly on the basis of actual need.
- 5.5.4** Procurement plans/schedules prepared by SPIU and NPIU will also be shared with the World Bank. Procurement of all goods, works and services shall be undertaken in accordance with such procurement plans/schedules.

5.6 PROCUREMENT PROCEDURES

Procurement procedure/ guidelines are a set of general steps in which purchase transaction is carried through from inception to its conclusion. These steps together form the purchase policy of an organization.

The procurement procedure/ guidelines broadly consist of the following activities;

- I. Assessment of requirement
- II. Deciding procurement strategy
- III. Mode of procurement
- IV. Preparation of tender document
 - Advertisement of the tender
 - Issue of tender documents
 - Opening of the tenders
 - Evaluation of the tenders
- V. Award of contract
- VI. Disclosure
- VII. Quality Assurance
- VIII. Notification of delivery to consignee and receipt of consignment
- IX. Storage
- X. Resolution of disputes, if any
- XI. Laws governing the contract
- XII. Arbitration
- XIII. Insurance
- XIV. Patent rights
- XV. Force Majeure
- XVI. Complaint redressal mechanism
- XVII. Procurement audit
- XVIII. Record keeping



5.7 DECIDING PROCUREMENT STRATEGY

The procurement strategy should cover;

- key objectives of the procurement for the project;
- chosen procurement option;
- chosen procurement route (open or restricted as allowed by the procurement manual)
- key milestones (check that enough time will be allowed for various steps)
- key documents e.g. requirements, specifications, bidding documents etc.

Key factors influencing the procurement strategy relate to the degree of complexity, innovation and uncertainty about the requirement, together with the time needed to achieve a successful outcome.

5.8 MODE OF PROCUREMENT

The methods of procurement to be followed are:

- A) Global tender/ International Competitive Bidding (ICB)
- B) Open advertised tender/ National Competitive Bidding (NCB)
- C) Limited International Bidding (LIB)
- D) Shopping
- E) Single tender/ Direct Contracting

A) Global Tender/ International Competitive Bidding (ICB)

This method is generally adopted where the supplies need import and/ or foreign firms are expected to participate irrespective of the value. In case of VTIP procurement, this method is to be adopted where the estimated cost of the procurement is more than US\$ 1,000,000/- equivalent for goods. Since no work is expected to be of high value costing more than US\$ 1,000,000/-, this method may not be applicable for procurement of works.

Steps to be followed are:

- Apart from wide publicity nationally, Invitation for Bids (IFB) shall also be forwarded to embassies and trade representatives of countries of likely suppliers/ contractors of the goods and works and also to those who have expressed interest in response to the general procurement notice.
- Invitation for Bids shall also be published in UNDB, dgMarket and project website.
- Use of standard bid documents of the World Bank.
- Sale of bid documents should start only after publication of invitation for bids in newspapers and UNDB/ dgMarket.
- Bidding period shall be 45 to 90 days from the date of start of the sale of bid documents.
- Domestic preference shall be allowed to domestic manufacturers/contractors with respect to foreign manufacturers/contractors as per procedure mentioned in the bid documents.
- Other procedures for global tender/ ICB will broadly be same as that of open advertised tender in respect of bid opening, bid evaluation, notification & publishing of award of contract, complaint redressal etc.

(B) Open Advertised Tender/ National Competitive Bidding (NCB)

i) Open tender is the competitive bidding procedure normally used for public procurement in the country and may be the most efficient and economic way of procuring goods or works, by their nature and scope. The procedures shall provide for adequate competition in order to ensure reasonable prices. The method to be used in the evaluation of tenders and the award of contracts shall be made known to all bidders and not be applied arbitrarily.

ii) Open tender or NCB will be adopted normally where the contract value is less than the equivalent of US\$ 1,000,000/- but more than the equivalent of (i) US\$ 100,000 for goods and works, and (ii) US \$ 50,000 for furniture, vehicles, books, proprietary software, learning resources and educational materials.

(iii) Various steps involved in procurement under open tender procedure/NCB have been enumerated in the subsequent paras.

(C) Limited International Bidding (LIB)

Limited International Bidding (LIB), is essentially ICB by direct invitation without open advertisement. It may be an appropriate method of procurement where (a) there is only a limited number of suppliers, or (b) other exceptional reasons may justify departure from full ICB procedures. Under LIB, borrowers shall seek bids from a list of potential suppliers broad enough to assure competitive prices, such list to include all suppliers all over the world. Domestic preference is not applicable in the evaluation of bids under LIB. In all respects other than advertisement and preferences, ICB procedures shall apply, including the publication of award of contract in UNDB online and in dgMarket and use of the Banks Standard Bidding documents.

(D) Shopping

Shopping procedure is adopted where the estimated cost of procurement is as given in paragraph 5.2 above. The following considerations should be kept in view for adopting this procedure;

- a. Shopping is a procurement method based on comparing price quotations obtained from several national/ international suppliers/ contractors, usually at least three to ensure competitive prices. Under international shopping quotations should be solicited from at least three suppliers in two different countries.
- b. Goods including equipment and civil works estimated to cost as per the financial ceiling prevailing in States or less per contract (subject to a ceiling given in paragraph 5.2 above) may be procured under Shopping.
- c. It is an appropriate method for procuring readily available off-the-shelf goods or goods of standard specifications, commodities and works that are small in value and are ordinarily available from more than one source.

Procurement Manual

- d. Approval of competent authority may be obtained for items of goods to be purchased along with specifications or civil works to be constructed/ renovated/ repaired along with specifications, estimated costs and agencies from whom quotations should be invited.
- e. The requests for quotations shall contain the description, specification, quantity of the goods, terms of delivery of goods or description of works as well as desired completion period and place of works. If the quotations are called for more than one item/ work, it should also be indicated whether the evaluation would be for each item or for each civil work or as a package of all items/works together.
- f. Quotations could also be obtained by telex or facsimile. The terms of the accepted offer shall be incorporated in a purchase order or brief contract.
- g. Rate contracts finalized by the Directorate General of Supplies & Disposals (DGS&D) will be acceptable for any procurement under shopping.
- h. State Government rate contracts, if any, shall be treated as one of the three quotations in the shopping process.

Following points should always be mentioned in the letter of inviting quotations.

Calling Quotations

- Give description, specifications and quantity.
- Say that the contract shall be for the full quantity of each item.
- All duties, taxes and other levies payable on the raw materials and components shall be included in the total price.
- Sales tax in connection with the sale shall be shown separately.
- The rates quoted by the bidder shall be fixed for the duration of the contract and shall not be subject to adjustment on any account.
- The Prices shall be quoted in Indian Rupees only.
- Each bidder shall submit only one quotation.



- Quotation shall remain valid for a period not less than 15 days after the deadline date specified for submission.

Evaluation of Quotations

- The Purchaser will evaluate and compare the quotations determined to be substantially responsive i.e. the quotations which conform to the laid down terms & conditions, and specifications.
- The Quotations would be evaluated for all the item together or would be evaluated separately for each item (select one option).
- Sales tax in connection with sale of goods shall be or shall not be taken into account in evaluation.

Award of contract

- The Purchaser will award the contract to the bidder whose quotation has been determined to be substantially responsive and who has offered the lowest evaluated quotation price.
- Purchase order should include:
 - Description, specification and quantity along with price.
 - Delivery period.
 - Terms of delivery i.e. free on rail (f.o.r.) station of dispatch or free delivery to the consignee.
 - Payment terms

(E) Single Tender/ Direct Contracting

The procedure for Direct Contracting may be adopted if any one of the following conditions is met. The value of each contract for such procurement should not exceed the limits prescribed in the table given in paragraph 5.2 above.

- (I) The single tender system may be adopted in case of articles including equipment, which are specifically certified as of proprietary in nature, or where only a particular firm is the manufacturer of the articles demanded or in case of extreme emergency.

(ii) The single tender system without competition shall be an appropriate method under the following circumstances:

- Extension of existing contracts for goods or works awarded with the prescribed procedures, justifiable on economic grounds;
- Standardization of equipment or spare parts to be compatible with existing equipment may justify additional purchases from the original supplier;
- Works are small and scattered or are situated in remote areas where adequate number of contractors may not be available or where mobilization costs for contractors would be unreasonably high; and
- Need for early delivery to avoid costly delays.

5.9 PREPARATION OF TENDER DOCUMENTS

5.9.1 For procurement to be carried out under this Vocational Training Improvement Project (VTIP), GOI Task Force approved documents, as amended from time to time for works/ goods will be used under NCB. For ICB Bank's standard bidding documents will be used. Sale of tender documents should begin only after the publication of notification for tender in newspapers. The tender documents shall furnish all information necessary for a prospective bidder to prepare a tender for the goods and/ or works to be provided. Tender documents should be made available to all those who request for them regardless of registration status and they should be allowed to bid. However, the request should be in writing along with the requisite fee of the tender/bid, if any.

The bid/ tender document should invariably contain the following sections to make it, self-explanatory and some of the important clauses are elaborated in the following paragraphs:

- Invitation for bids (IFB)
- Instructions to bidders (ITB)
- General terms & conditions



Procurement Manual

- Contract data including bill / schedule of quantities (BOQ)
- Award criteria
- Notification of award
- Execution of contract
- Quality control
- Payment terms
- Taxes and duties
- Completion certificate
- Warranty/ defect liability period
- Drawings
- Dispute resolution
- Arbitration
- Force majeure

Bill of quantities (BOQ) or Schedule of Requirement will indicate the description of items/works to be provided along with quantities and the phased manner (if necessary) in which the goods/works are required to be delivered or constructed.

5.9.2 Invitation for Bids (IFB)

- (i) At the start of the project a general procurement notice (GPN) will be issued in national news papers and UNDB/dgMarket indicating the items/services to be procured under ICB and that the prospective bidders/tenderers should be on look out for the specific invitation for bids.
- (ii) Specific invitation for bids (IFB) should provide a brief description of goods/works, very important contract conditions, source of financing of the project, eligibility requirements, time and place, full office address along with telephone/fax number and email address, if any, for submission of applications/bids where from bid documents can be obtained. Contractors should be made responsible for all materials including cement and steel without having to rely on departmental supplies. Format of IFB to be adopted is given in the ICB/NCB bidding documents.



(iii) Notification/ Advertisement:

Timely notification of bidding opportunities is essential in competitive bidding;

- Invitation to bid shall be published in daily newspapers with wide circulation all over India, at least in one English national daily news paper and in one regional language daily news paper. If the advertisement is for more than one item, it should also be indicated whether the evaluation would be item wise or as a package. In case of IFB for ICB, the notification shall also be published in the 'United Nation's Business Development' (UNDB) and dgMarket online and forwarded to embassies and trade representatives of countries of likely suppliers of goods and also to those who have expressed interest in response to the GPN. The bidders shall be allowed the option to submit the bids for any one or more items/ schedules specified in the 'Schedule of Requirements' and to offer discounts for combined schedules/ items of similar nature. The advertisement should also be placed at the project website. The Notification/ Advertisement should also be published in the Indian Trade Journal (published from Kolkata) in addition to the website and national newspaper etc. as mentioned above.
- If it is a condition in the invitation for tenders that earnest money/ bid security is to be deposited by the supplier/ contractor, the bid of a supplier/ contractor not complying with this requirement shall be outright rejected. Mistakes (in case of bank guarantees), miscalculations, submission of copies of instrument of bid security instead of the original will result in rejection of the bid/ tender.
- In a package, the earnest money/ bid security should be indicated taking into account all items forming the package. This cannot be changed later on. Once it is decided that the contract shall be for a package, the earnest money/ bid security for that package shall be indicated and the same cannot be changed according to each item.
- The last date for receipt of tender shall be the day following the date for closure of the sale of bid documents. The last date and time of sale and receipt of bid/ tender documents should be clearly indicated in the notification/ advertisement.



Procurement Manual

- Tender sale period shall be between 30 to 60 days for NCB and 45 to 90 days for ICB, from the date of start of sale of bid/ tender documents.
- Tenders may be sold from different places but bid/ tender must be received at one place only, to avoid problems arising out of late/ delayed tender submission. Tenders/ bids should normally be opened immediately after the deadline of time fixed for submission on the same day.
- The advertisement shall clearly state the name, address, telephone/ fax number and e-mail address of the contact person for seeking clarifications if any, and the date, time and place of submission of bids/ tenders.
- The advertisement shall also indicate clearly the sources of funds wherefrom the procurement will be funded.
- The key dates should not be falling on government/ public holidays. If the date of opening of bids/ tenders is declared a government/ public holiday, the next working day shall be the date of bid opening at the appointed time.

5.9.3 Instructions to Bidders (ITB)

In this section various procedures to be followed in the selection of the bidders and precautions to be taken by them are indicated under following heads;

- Scope of work
- Sources of funds
- Eligibility criteria
- Pre-bid conference
- Qualification of bidders
- Earnest Money
- Bid price
- Submission of bids



- Bid Security
- Validity of bids submitted
- Opening of bids
- Evaluation of bids
- Post qualification
- Award of contract
- Performance security
- Fraud and Corruption

Important clauses are discussed in brief in the subsequent paragraphs.

5.9.4 Clarifications on Tender/Bid Documents

Tender documents shall furnish clearly and precisely, the details of the work to be carried out, the location of the work, the goods to be supplied, the place of delivery or installation, the schedule of delivery or completion, specifications/ technical specifications, minimum performance requirements, the warranty and maintenance requirements, if any, and the method of evaluation. The basis for tender evaluation and selection of the lowest technically suitable and evaluated tender shall be clearly outlined in the instructions to tenderers and/ or specifications. Any clarification asked by the tenderers should be replied promptly, in any case well in advance of tender opening date giving sufficient time to bidders/tenderers to submit their bids/tenders.

Tender documents should state clearly whether the bid prices will be fixed or price adjustment will be allowed to reflect any changes in major cost components of the goods/ works.

5.9.5 Standards and Technical Specifications

The bid/ tender documents shall include generally accepted standards or technical specifications. Unbiased technical specifications shall be prepared with no mention of brand names and catalogue numbers by a committee of experts associating the trade representative, if required. The functional performance, design, quality, packaging and additional requirements should be clearly spelt out in the specifications. The specifications should be generic and should not appear to favour a particular brand or supplier.

Preparation of technical specifications, bill of quantities and civil drawings must be completed before tendering. Specifications for the items to be procured should be drawn up with clarity in every case. No deviations from the specifications after opening of the tender should be allowed.

The major objectives of the specifications are;

- To let the procurement department understand exactly the features required in the item,
- To let the supplier know exactly what the buyer wants,
- To permit the easier, quicker and accurate verification of items upon receipt.

5.9.6 Validity of Tenders/Bids

Bidders/Tenderers shall be required to submit tenders with a validity period specified in the tender documents. Normally, the bid validity period shall be 90 days after the date of bid/ tender opening.

5.9.7 Earnest Money/ Bid Security

Earnest money (bid security) to be deposited by the bidders shall be for a specified amount for each package/ schedule/ item as indicated in the bid/ tender document. It shall normally be 2 to 2.5% of the estimated cost of goods and 1% of the estimated cost of works rounded off to the nearest figure in hundreds/ thousands/ lakhs of rupees. The earnest money shall be in the form of a demand draft/ banker's cheque/ bank guarantee from a scheduled bank preferably having a branch at the place where tenders are to be submitted, which should be valid for 45 days beyond the validity period of the bid/tender. Fixed Deposit Receipts endorsed in favour of purchaser shall also be acceptable.

The earnest money of unsuccessful bidders shall be refunded soon after the final acceptance of the tenders. The earnest money shall be forfeited in the event of withdrawal of the tender within the original validity, once submitted or in case a successful bidder fails to execute



necessary agreement within the period specified or for submitting false, incorrect or misleading information in the bid. This will be in addition to the other remedies available to the purchaser/ employer in terms of the tender documents.

5.9.8 Pre-Bid Conference

A pre-bid conference (date/ venue to be indicated in the IFB published in newspapers and bid/ tender document) may be arranged, if considered necessary, wherein potential bidders may meet with the representatives of the implementing authority to seek clarifications on the tender documents. Copy of minutes of the pre-bid conference should be furnished to the bidders who had already purchased the bid documents and should also be attached with the bid documents sold to the parties purchasing the documents subsequent to the pre-bid conference. Pre-bid conference should be arranged only in cases where it is considered necessary. It should not be called by the implementing agency as a matter of routine.

5.9.9 Terms and Mode of Payment

Payment terms for ICB and NCB are already provided in the bidding documents and should be followed as it is. In the case of shopping payment terms should be 90% payment after delivery to the consignee and balance 10% after acceptance of the goods or in accordance with the practices applicable to the specific goods and works. Tender documents should specify the mode of payment and terms of payment applicable and the type and number of documents required to be submitted by the suppliers or contractors for claiming the payments.

5.9.10 Conditions of Contract

The contract document shall clearly define the scope of work to be performed, the goods to be supplied, the rights and obligations of the implementing agency and of the supplier or contractor, and the functions and authority of the engineer, architect, or construction manager, (if one is employed by the implementing agency) in the supervision and administration of the contract. Special conditions related to specific item including the technical, production and financial requirement should also be clearly specified in the tender document.

5.9.11 Issue of Tender/Bidding Documents

Tender/Bid documents shall be sold to any person who makes a request in writing and deposits the required money. Sale of tender documents shall not be restricted on any account. Tenders/Bidding documents will be sold till one day prior to the opening of the tenders.

5.9.12 Tender Opening

- i) The time, date and venue for the tender opening shall be mentioned in the IFB and bid/ tender documents. Bid/ tender opening time shall be immediately after the deadline for submission of tenders/ bids as discussed above.
- ii) Tenders shall be opened in public. The bidders or their representatives shall be allowed be present at the time of opening of the bids.
- iii) All tenders received in time shall be opened. No bid shall be rejected at the time of bid opening except for late tenders. Late tenders shall be returned to the bidders/ tenderers unopened.
- iv) The name of the bidder/ tenderer and the total amount of each bid along with important conditions like excise duty, sales tax, delivery terms, delivery period, special conditions and discounts, if any, shall be read out at the time of bid opening. Withdrawal notices and modifications to the tender shall be read out first followed by the tender of the bidder/ tenderer.
- v) Spot comparative statement (minutes of bid opening) must be prepared by the bid/ tender opening official and should be signed.

5.9.13 Confidentiality

After the public opening of tenders, information relating to the examination, clarification, and evaluation of tenders and recommendations concerning awards shall not be disclosed to

bidders or other persons not officially concerned with this process until the successful bidder is notified of the award of the contract.

5.9.14 Examination of Tenders/Bids

- a) The implementing agency shall ascertain whether the tenders;
- Meet the eligibility requirements specified;
 - Have been properly signed by authorised signatory;
 - Have the bid validity as specified in the bid/ tender documents;
 - Are accompanied by the required earnest money valid for the period specified in the tender document;
 - Have quoted for the entire schedule/ package and are in the required currency as indicated in the bid document;
 - Are generally substantially responsive commercially and technically, to the tender documents;
 - Have the necessary technical, production and financial capability to successfully execute the contract. For ensuring financial capacity a minimum turnover requirement may be indicated in bid/ tender document; and
 - Are otherwise generally in order.

If the bidder/tenderer meets the above stipulations indicated in the bid documents, it is determined as substantially responsive and is considered further for evaluation.

If a bid/ tender is not substantially responsive i.e. it contains material deviations from or reservations to the terms, conditions and specifications specified in the tender documents, it shall be considered as non-responsive and shall not be considered further. The bidder shall neither be permitted to correct or withdraw material derivations or reservations once tenders have been opened nor the purchaser should make a reference to the bidders to get the infirmity in the tender corrected.

Historical data in relation to the tender, if not received along with the bid/tender, can be requested from the bidder after opening of bids/ tenders and should be submitted within a reasonable time span (say 7-10 working days).

5.9.15 Tender Evaluation and Comparison

- a) The purpose of tender evaluation is to determine substantially responsive tender with the lowest evaluated cost, but not necessarily the lowest submitted price, which should be recommended for award.
- b) The bid/ tender price read out at the bid opening shall be adjusted at the time of evaluation with correction for any arithmetical errors for the purpose of evaluation with the concurrence of the bidder/ contractor. Where there is a discrepancy between the rates in figures and in words, the rate in words will prevail. Where there is a discrepancy between the unit and the line item total resulting from multiplying the unit rate by the quantity, the unit rate will prevail.
- c) Evaluation of tenders should be made strictly in terms of the provisions in the tender documents to ensure compliance with the commercial and technical aspects.
- d) Conditional discounts offered by the bidders shall not be taken into account for evaluation.
- e) The past performance of the suppliers/ contractors should be taken into account while evaluating the tenders (this should also be indicated in bid document). However, past performance of the suppliers/ contractors should be documented properly.
- f) The purchaser shall prepare a detailed report on the evaluation and comparison of tenders setting forth the specific reasons on which the recommendation is based for the award of contract.
- g) While making the recommendation for award of contract, last purchase price (LPP) of the item(s), if available, will be considered for comparison.



5.9.16 Negotiations

There should not be any negotiations either for price or terms and conditions of the tender submitted.

5.9.17 Extension of Validity of Tenders

As far as possible, contract should be finalized within the original validity of the tenders, mentioned in the tender documents. An extension of bid validity, if justified by exceptional circumstances with the approval of the next higher authority, shall be requested in writing from all bidders/ tenderers (of valid tenders only) before the expiry date. Bidders/ tenderers shall have the right to refuse to grant such an extension without forfeiting their earnest money, but those who are willing to extend the validity of their bid shall also be required to provide an extension of earnest money as specified in the tender documents. However, second and subsequent extension of bids/ tenders shall be asked only after approval of the head of the department.

5.9.18 Post-Qualification of Bidders/Tenderers

In case the pre-qualification of the bidders/ tenderers has been carried out, and the tenders have been issued to the pre-qualified bidders, the tenders shall be recommended for award on the basis of being lowest substantially responsive bids. If the bidders have not been pre-qualified, the implementing agency shall determine whether the bidder whose bid has been determined as lowest evaluated substantially responsive, has the technical and production capabilities and financial resources to effectively carry out the contract as offered in the bid/ tender. The criteria to be met shall be set out in the tender documents, and if the bidder does not meet them, the bid/ tender shall be rejected. In such an event, the implementing agency shall make a similar determination for the next lowest evaluated substantially responsive bidder/ tenderer and so on.

5.9.19 Rejection of all Tenders

- a) Tender documents usually provide that implementing agency may reject all tenders. Rejection of all tenders is justified when none of the tenders are substantially responsive. However, the lack of competition shall not be determined solely on the basis of number of bids received. If all tenders are rejected, the implementing agency shall review the causes justifying the rejection and consider making revisions to the conditions of contract, or a combination of these, before inviting new tenders.
- b) If the rejection is due to most or all of the tenders being non-responsive, fresh tenders may be invited.
- c) Rejection of all tenders and re-inviting new tenders, irrespective of value shall be referred to the next higher authority for approval than the authority that approved the issue of tender or to the head of the unit. Before re-inviting tenders the specifications may be reviewed for revision, if any.
- d) Rejection of tenders, irrespective of value, will require World Bank's approval.

5.9.20 Performance Security

- a) Tender documents for works and supply of goods shall require performance security in an amount sufficient to protect the interest of the implementing agency in case of breach of contract by the contractor/ supplier. The performance security shall be in the form of a bank guarantee or any other instrument acceptable to the purchaser and the amount should be specified in the tender document.
- b) The amount of performance security shall be 5 to 10% of the contract price, but normally it should be 5% and should be valid till 28 days after the date of expiry of defect liability period or the guarantee/ warranty period, as the case may be.
- c) The performance security deposit shall be refunded within one month after the expiry of guarantee/ warranty period or the defect liability period (as mentioned above).

d) The performance security shall be forfeited in case any terms and conditions of the contract are infringed or the bidder fails to make complete supply satisfactorily or complete the work within the delivery / completion period agreed in the contract without prejudice to the purchaser's right to take further remedial actions in terms of the contract and bidding documents which formed part of the contract.

5.9.21 Retention Money

In case of contracts for works, normally 5% of the contract price shall be deducted from the bills towards retention money. 50% of the retention money shall be returned to the contractor after the completion of the whole of the works and balance 50% shall be returned to the contractor after the expiry of the defects liability period along with the performance security.

5.9.22 Liquidated Damages

Provisions for liquidated damages shall be included in the conditions of contract for the delay in the delivery of goods or completion of works. In the case of goods, the liquidated damages shall be calculated at the rate of 2 % per month of delay or part thereof. In the case of works, the liquidated damages will be calculated at 0.05% of the contract price per day. In both the cases liquidated damages will be subject to a ceiling of 10% of the contract price and shall be levied by way of pre-estimated damages and not by way of penalty.

5.9.23 Fraud and Corruption

It is the World Bank's policy to require that Borrowers (including beneficiaries of Bank loans), as well as Bidders, Suppliers, Contractors, and Contractors and their subcontractors, and Consultants under Bank-financed contracts, observe the highest standard of ethics during the procurement and execution of such contracts. In pursuance of this policy, the Bank:

Procurement Manual

- (a) defines, for the purposes of this provision, the terms set forth below as follows:
- (i) “corrupt practice” is the offering, giving, receiving, or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party;
 - (ii) “fraudulent practice” is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation;
 - a. “collusive practice” is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party;
 - (iv) “coercive practice” is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party;
 - (v) “obstructive practice” is :
 - (aa) deliberately destroying, falsifying, altering or concealing of evidence material to the investigation or making false statements to investigators in order to materially impede a Bank investigation into allegations of a corrupt, fraudulent, coercive or collusive practice; and threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation; and
 - (bb) acts intended to materially impede the exercise of the Bank’s inspection and audit rights provided for under sub-paragraph (e) below.
- (b) will reject a proposal for award if it determines that the Bidder recommended for award has, directly or through an agent, engaged in corrupt, fraudulent, collusive or coercive or obstructive practices in competing for the contract in question;
- (c) will cancel the portion of the loan allocated to a contract if it determines at any time that representatives of the Borrower or of a beneficiary of the loan engaged in corrupt, fraudulent, collusive, coercive, or obstructive practices during the procurement or the execution of that



contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to address such practices when they occur;

(d) will sanction a firm or individual, including declaring them ineligible, either indefinitely or for a stated period of time, to be awarded a Bank-financed contract if it at any time determines that the firm has, directly or through an agent, engaged, in corrupt, fraudulent, collusive, coercive, or obstructive practices in competing for, or in executing, a Bank-financed contract; and

(e) will have the right to require that a provision be included in bidding documents and in contracts financed by a Bank loan, a provision be included requiring bidders, suppliers, contractors and consultants to permit the Bank to inspect their accounts and records and other documents relating to the bid submission and contract performance and to have them audited by auditors appointed by the Bank.

5.10 AWARD OF CONTRACT

5.10.1 Implementing agency shall award the contract, within the period of validity of tenders, to the bidder who meets the tender conditions in all aspects, has the necessary technical and production capabilities and financial resources and whose bid is substantially responsive to the tender conditions and has offered the lowest evaluated cost. The purchaser can, if so desired, depute a team of 3-4 officers to the premises of manufacturer to whom the contract is proposed to be awarded to satisfy itself that the manufacturer has the capability to produce the required quantity and also has the necessary quality testing and assurance facilities to meet the required standards. Based on the report of this committee, the purchaser may decide to award the contract to the successful bidder offering the lowest and reasonable price after approval of the competent authority.

5.10.2 Single bids should also be considered for award, if it is determined that publicity was adequate, bid specifications/ conditions were not restrictive or unclear, and bid prices are considered reasonable.

5.11 DISCLOSURE

5.11.1 For Central/ State level procurements, information on pre-qualification of the contractors and award of contract would be posted on the programme website. In general the following information should be put on the department's website:

- Making publicly available, all annual procurement schedules promptly after finalization.
- Posting all bidding documents and requests for proposals.
- Making available to any member of the public, promptly upon request all shortlist of consultants and in case of pre-qualification, list of pre-qualified contractors and suppliers.
- The information on pre-qualified applicants and award of contracts.
- Posting annual progress and mid-term review reports of the project.

5.11.2 For State level procurements, the information would be shared with the public through State websites.

5.12 QUALITY ASSURANCE

The inspection authority and procedure for sampling and testing should be clearly specified in the tender document. The purchaser will also decide whether 100% pre-dispatch inspection is required at the manufacturer's premises, depending on the items to be purchased. When a consignment is ready for dispatch, the supplier will inform the purchaser that the consignment is ready for the testing. Purchaser will then instruct the inspection agency to carry out the inspection. In other cases goods will be inspected on arrival at purchaser's premises for any possible damage/ defect either in manufacture or in transit.

If the stores supplied do not meet the specifications and/ or the performance requirement, these should not be accepted. If there are any disputes or doubts about the quality of the products, a procedure of resolution of dispute may be followed as per the terms of the contract.

5.13 NOTIFICATION OF DELIVERY TO THE CONSIGNEE AND RECEIPT OF CONSIGNMENT

i) Notification of delivery or dispatch in regard to each and every consignment shall be made by the supplier to the purchase officer. The supplier shall further supply to the consignee a packing account quoting reference number and date of the contract/ supply order, date of dispatch of the stores. All packages, containers, bundles and loose material part of each and every consignment shall be fully described in the packing account and full details of the contents of the packages and quantities of material(s) shall be given to enable the consignee to check the stores on arrival at destination. The Railway Receipt (RR) \ Lorry Receipt (LR) \ Consignment Note (CN) should be drawn in the name of the consignee and should be sent to the consignee by registered post acknowledgement due or other fastest mode immediately on dispatch of stores quoting the Number(s) and date(s) of the corresponding Inspection Note(s) in relation to the stores covered by the said RR\ LR\ CN as the case may be. The contractor shall bear and reimburse to the purchaser, demurrage charges, if any, paid by the reasons of delay on the part of the supplier in forwarding the RR\ LR\ CN to the consignee.

ii) At the time of the delivery of the stores, the consignee should accept the stores on “said to contain” basis and should issue a provisional receipt certificate in the standard format. After opening the packages and detailed examination of the stores, the consignee will issue the final acceptance certificate if he is satisfied with the quality of the goods. Notwithstanding the pre-dispatch inspection of the goods/ services by the inspection agency, consignee has the right to further inspect and test the goods but within a reasonable time. If the goods fail to meet the specifications given in the contract, the same should be rejected and the supplier should be asked to replace the goods or rectify the defects. Supplier shall not be allowed to remove rejected goods until the supplier has deposited the payment received together with other incidental charges such as freight, insurance, loading/ unloading charges etc. or they have replaced rejected goods with serviceable goods.

5.14 STORAGE

As all the goods needed/ procured cannot be consumed at one point of time, storage of goods is an inevitable process. Experience has demonstrated that properly packed good quality items do not deteriorate if stored systematically in clean, dry and well ventilated environment. Therefore, it is necessary to store the goods properly.

If quality assurance measures have been strictly followed during the manufacturing process, the conditions of the warehousing and storage play a major role in ensuring that quality goods reach final users in good condition. They should normally be left in their original packaging during storage.

5.15 RESOLUTION OF DISPUTES

5.15.1 The dispute resolution methodology should be very clearly indicated in the contract document. As far as possible, disputes may be resolved with mutual agreement between the purchaser and supplier/ contractor through alternate dispute resolution methods to avoid going through arbitration and litigation stages.

5.15.2 There are a number of causes of disputes during the execution of contract. These may involve for example:

- Interpretation of the terms and conditions of the contract
- Delay in delivery/ completion of the works
- Delay in release of payments
- Independent test results
- Condition of the item on arrival at consignee' end after delivery
- Fixation of rate of the items, on account of variation in quantity of the items of BOQ in civil works contract etc.
- Design/ specification issues

5.15.3 It is also possible for a manufacturer to dispute a decision made by the inspection agency regarding product packing or appearance or testing/ inspection result. In most cases, manufacturers accept the results of independent laboratories and replace the rejected stores. Procedures for dealing with such disputes should be indicated in the contract.

5.16 LAWS GOVERNING THE CONTRACT

- i) The contract shall be governed by the laws of India in force.
- ii) The courts of the place, from where the acceptance of tender has been issued, shall alone have jurisdiction to decide any dispute arising out of or in respect of the contract.
- iii) Irrespective of the place of delivery, the place of performance or place of payment under the contract or the place of issue of advance intimation of acceptance of tender, the contract shall be deemed to have been made at the place from where the acceptance of the tender has been issued.

5.17 ARBITRATION

In cases of ICB/ NCB, the bid/ tender documents specify the procedure for appointment of arbitrator and his replacement etc. and provisions laid down therein should be followed. In other cases the following information should be suitably incorporated in the request inviting the quotations to obtain the consent of the bidder/ tenderer to accept the arbitration clause.

- (i) In the event of any question, dispute or difference arising under the contract conditions or any special conditions of contract, or in connection with the contract (except as to any matters the decision of which is specially provided for by these or the special conditions) the same shall be referred to the sole arbitration of an officer, from the government department other than the department which decided the contract, having sufficient knowledge of law, appointed to be the arbitrator by the purchaser. The decision of the arbitrator shall be final and binding on both the parties to this contract.



Procurement Manual

- (ii) In the event of the arbitrator dying, neglecting or refusing to act or resigning or being unable to act for any reason, it shall be lawful for the purchaser to appoint another arbitrator in place of the outgoing arbitrator in the manner aforesaid,
- (iii) It is further a term of the contract that no person other than the person appointed by the purchaser as aforesaid should act as arbitrator and if for any reason that is not possible, the matter is not to be referred to arbitration at all.
- (iv) Arbitrator may, from time to time, with the consent of all parties to the contract enlarge the time for making the award.
- (v) In pursuance of a reference, the assessment of the costs incidental to the reference and award respectively shall be at the discretion of the arbitrator.
- (vi) Subject to as aforesaid, the Arbitration and Reconciliation Act, amended up to date and the rules there under and any statutory modification thereof for the time being in force shall be deemed to apply to the Arbitration proceedings under this clause.
- (vii) The arbitrator shall be requested to give reasoned award.
- (viii) The venue of arbitration shall be the place from which formal Acceptance of Tender is issued or such other place as the purchaser at his discretion may determine.

5.18 INSURANCE

The goods/ works under supply must be fully insured against any loss or damage during transit or storage or during construction. Insurance shall be taken for 110% of value of the contract.

5.19 PATENT RIGHTS

The supplier/ contractor should have proper and valid license/ right to the use of and/ or supply the product/ services for their design, material or manufacturing and its patent,



trademark or industrial design rights in the purchaser's country. The supplier/ contractor should safeguard the interest of the purchaser from any third party claim towards the infringement of same and indemnify the purchaser. Provision should be kept for the same in the contract.

5.20 FORCE MAJEURE

There could be circumstances/ events where the supplier/ contractor may not be in a position, in spite of his best efforts, to meet the delivery/ completion schedule due to events beyond their control and not foreseeable such as wars, or revolutions, fires, floods, epidemics, natural calamities, quarantine restrictions and freight embargo etc. In such cases suitable delivery extension based on merit of the case may be granted for arranging the delivery of goods or completion of works. Also the supplier shall not be made liable for forfeiture of performance security, liquidated damages or termination of contract as per provisions made in the contract elsewhere. A suitable clause may be provided in the contract to this effect.

5.21 COMPLAINT REDRESSAL MECHANISM (ALSO APPLICABLE TO PROCUREMENT OF SERVICES)

5.21.1 In order to deal with the complaints received from the contractors/ suppliers effectively, a complaint handling mechanism should be available at the central/ state/ ITI level, and immediate action should be initiated on receipt of complaints to redress the grievances. All complaints on receipt should be entered in a register. Within 15 days, these complaints should be discussed and mentioned in the evaluation report of the tender. If a complaint is received after award of contract, it should be discussed on the file and put up to the appropriate authority for a decision.

5.21.2 All complaints should be handled at a level higher than that of the level at which the procurement process is being undertaken and the allegations made in the complaints should be enquired into. If allegations are found correct, appropriate remedial measure should be taken by the higher administrative authorities.

5.21.3 If an individual staff is found responsible, suitable disciplinary proceedings should be initiated, against such staff under the applicable conduct rules. The existing provisions under the Indian law including the instructions of Central Vigilance Commission (CVC) should be followed in this regard.

5.21.4 An appropriate response should also be sent to the complainant.

5.22 PROCUREMENT AUDIT (Also Applicable to Procurement of Services)

Post review of all the contracts under the Project shall be conducted by the government auditors as per laid down procedure. All documents related to procurement should be filed and kept systematically and safely.

In addition, the World Bank will also have the right to conduct post review of the contracts at the central, states, and the districts levels. The concerned authorities will be required to make all relevant documentation available to the World Bank, as and when required.

5.23 REVIEW OF CONTRACTS BY THE WORLD BANK (Also Applicable to Procurement of Services)

5.23.1 It is the Bank's policy to require that Borrower's, as well as bidders, suppliers, and contractors, under Bank financed contracts, observe the highest standard of ethics during the procurement and execution of contracts. In pursuance to this policy, the Bank will have the right to require that a provision be included in bidding documents and in contracts financed by a Bank loan/ credit, requiring bidders, suppliers, and contractors to permit the Bank to inspect their accounts and records and other documents relating to the bid submission and contract performance and to have them audited by auditors appointed by the Bank.

5.23.2 Contracts which are (i) not subject to prior review by the Bank, and (ii) awarded following these guidelines will be post reviewed by the Bank.

5.23.3 The Borrower shall retain all documentation with respect to each contract (including contracts subject to prior review by the Bank) during project implementation and up to two

years after the closing date of the Loan Agreement. This documentation would include, but not be limited to tender documents, bids/ tenders submitted by the bidders/ tenderers, the original signed contract, the analysis of the respective proposals, and recommendations for award, for examination by the Bank or its Consultants. The Borrower shall also furnish such documentation to the Bank upon request. If the Bank determines that the goods, work or services were not procured in accordance with the agreed procedures, as reflected in the Loan Agreement and also detailed in the Procurement Plan approved by the Bank or that the contract itself is not consistent with such procedures, it may declare mis-procurement as established in the procurement guidelines. The Bank shall promptly inform the Borrower the reasons for such determination.

5.24 RECORD KEEPING

5.24.1 All Purchase Departments shall maintain the following basic records:

PURCHASE ORDER LOG --- containing a numerical brief record of all purchase orders issued i.e. purchase order number, supplier's name, brief description of stores, total value etc.

OPEN ORDER FILE --- containing status of all outstanding orders.

CLOSED ORDER FILE --- containing historical data of all completed orders.

VENDOR RECORD FILE --- containing names, addresses, materials that vendor can supply, delivery and quality records etc.

RATE CONTRACT FILE --- containing the purchase records of items under rate contract. It is especially important when the contract is an open one against which orders are placed.

PURCHASE REPORTS --- since the purchase department handles a sizable portion of organization finances, it is desirable to have some summary reports periodically (monthly/ quarterly/ half yearly/ annually) available to the management.

5.24.2 Besides the above, the purchase officers should maintain all the records of issue, receipt, opening, evaluation of tenders, award of contracts i.e. all pre-order and post-order records in chronological order and the files kept in an identified place and should be retrievable for scrutiny whenever needed without wastage of time. The records of complaint handling, correspondence with clients, consultants, Bank vendors etc. also should be kept separately and should be retrievable. Records should be maintained for a period of not less than two years beyond the project closing date and for any further period as may be decided by the government.

6.0 HIRING OF CONSULTANTS

6.1 BACKGROUND

Definition of services includes training, workshops, hiring an agency or individual and includes procurement/inspection agents, studies, management services, architectural services, preparation of designs and drawings and other consultant services.

6.2 GENERAL CONSIDERATIONS

- High-quality services;
- Economy and efficiency;
- Give qualified consultants an opportunity to compete
- Encouraging the development and use of national consultants
- The importance of transparency in the selection process

The procedures to be followed in all cases are given below in brief;

6.3 STEPS

- Establish the need for the assignment and outsourcing the services
- Preparation of the Terms of Reference (TOR)
- Preparation of cost estimate and the budget
- Agreeing on the Contracting Strategy
- Advertising (for short listing of the firms when the purchaser has no knowledge about the firms who could take up the assignment)
- Preparation of the shortlist of consultants
- Preparation and issue of Request for Proposal (RFP)
 - Letter of Invitation (LOI)
 - Information to Consultants (ITC)
 - Proposed contract

Procurement Manual

- Receipt of proposals [Technical and Financial in separate envelopes]
- Opening and Evaluation of technical proposals
- Evaluation of financial proposal
- Combined (technical & financial) evaluation
- Negotiations and award of the contract to the selected firm

6.3.1 Preparation of the Terms of Reference (TOR)

The Terms of Reference should include:

- A precise statement of objectives
- An outline of the tasks to be carried out
- A schedule for completion of tasks
- The support/inputs provided by the client
- The final outputs that will be required of the Consultant
- Composition of Review Committee (not more than three members) to monitor the Consultant's works
- Review of the Progress Reports required from the Consultant
- Review of the final draft report
- List of key positions whose CV and experience would be evaluated.

6.3.2 Preparation of cost estimate and the budget

The Cost Estimates or Budget should be based on the assessment of the resources needed to carry out the assignment, staff time, logistical support, and physical inputs (for example, vehicles, office space and equipment, electricity charges, telephone/ fax/ photocopying etc.).

Costs shall be divided into three broad categories;

- Fee or remuneration to the staff;
- Reimbursable costs; and
- Miscellaneous expenses.



6.3.3 Contracting Strategy

Before starting the process of hiring of services, it is essential to agree on contract strategy viz. going for lump-sum or time based contract, individual vs. firm, advertising vs. internal short listing, terms of payment etc. Normal procedure for hiring of services would be Quality and Cost Based Selection (QCBS) following the Bank's Consultancy Guidelines.

6.3.4 Advertising

In case a short list of six (6) consultants cannot be drawn by the purchaser by its own knowledge, the advertising through newspapers is the right way to compile the short list. Advertisement is issued asking the potential service providers to indicate their interest in the assignment and provide abridged CVs of the proposed team members, their previous experience in similar type of assignment and the financial statement of the organisation for the last three (3) years by way of balance sheets. The advertising may be considered in the following media:

- Regional Newspapers;
- National Newspapers;
- International Newspapers;
- Technical Magazines; and
- Purchaser's Website; and
- In United Nations Development Business (UNDB), dgMarket and Project website for contracts estimated to cost more than US\$ 200,000 equivalent.

6.3.5 Short listing

If advertisement has been issued calling the expressions of interest, responses received shall be evaluated to arrive at shortlist of the consultants. In preparation of the shortlist, first consideration shall be given to those firms expressing interest, who possess the relevant qualifications. The shortlist shall comprise six (6) firms. In contracts below US\$ 500,000 equivalent, shortlist may comprise of national consultants only.

Government owned enterprises can be considered for award of consultancy assignment. However, such enterprises directly under the administrative control of the Purchasing Department/ Organisation should not generally be considered for such assignments. Since PWD is a Government department, no fee can be paid to them under the project. If there is a fee to be paid to them, it will be paid from the State's own funds. This provision will also apply to those government undertakings which are under the administrative control of the same ministry/department at Central/State level under which project is being implemented.

6.3.6 Types of Contracts

Various types of contracts are:

- Lump Sum – These contracts are used for assignments in which the content and the duration of the work is clearly defined. Payment is made upon delivery of outputs. The main advantage of this type of contract is that it is easy to administer. Examples of Lump Sum contracts include Feasibility Studies, Environmental Studies, Detailed design of a standard structure etc.
- Time Based - These contracts are used for assignments in which it is difficult to define the scope and the duration of the work to be performed. Payment is based upon an hourly, daily, or monthly rate, plus reimbursable expenses using actual expenses or agreed unit rates. This type of contract provides for a maximum total payable amount that includes a contingency for unforeseen work and duration, price adjustments etc. - Examples of Time Based contracts include Preparation of data, Complex Studies, Supervision of construction of civil works, Training assignments, Advisory services etc.
- Percent contracts relate to the fee paid to the consultant based upon the estimated or actual project construction cost or the cost of the goods to be procured or inspected. Percentage is established based upon market norm or standard practice in the industry. Examples of percent contracts include Architectural services, Engineering services, Procurement services, Inspection services etc.

6.3.7 Request for Proposals (RFPs)

The RFP shall include:

- A Letter of Invitation (LOI), which will include evaluation criteria
- Information to Consultants
- Terms of Reference
- Draft of the proposed contract

Proposals are received in two envelopes – one envelope containing the technical proposal and the other envelope containing financial proposal.

6.3.8 Opening and Evaluation of Proposals

First the technical proposals are opened publicly and evaluated based on the evaluation criteria given in the RFP document. The financial proposals of only those consultants, who secure equal to or more than minimum qualifying marks, should be opened.

6.3.9 Negotiations and Signing of Contract:

If required, negotiations on technical and commercial aspects may be held with the consultant who scored highest marks in combined evaluation (technical and financial evaluation) and on conclusion of the same, the contract should be signed.

Normally no penalties are imposed on the consultants, be it a firm or individual, for unsatisfactory performance or delay in completion of the assignment/ services in the agreed time frame. It is hence suggested to do the performance evaluation of the consultant on completion of each assignment and keep the same in view while short-listing them for any future assignment.

6.3.10 Single source selection may be appropriate only if it presents a clear advantage over competition and on account of the following reasons:

- For tasks that represent a natural continuation of previous work carried out by the firm.

- Where a rapid selection is essential (emergency operation).
- For very small assignments up to US\$ 100,000 equivalent (INR 4.6 million); or
- When only one firm is qualified or has experience of exceptional worth for the assignment.

6.3.11 Quality-Based Selection (QBS)

QBS method of selection is appropriate for the following types of assignments:

- Complex or highly specialized assignments for which it is difficult to define precise TOR and the required input from the consultants, and for which the client expects the consultants to demonstrate innovation in their proposals;
- Assignments that have a high downstream impact and in which the objective is to have the best experts; and
- Assignments that can be carried out in substantially different ways, such that proposals will not be comparable.

(i) In QBS, the RFP is issued to the short listed consultants with a request for submission of both technical and financial proposals at the same time, but in separate envelopes. The RFP shall provide either the estimated budget or the estimated man months of key professional staff, specifying that this information is given as an indication only and that consultants is free to propose their own estimates.

(ii) Here also first technical proposals are evaluated using the same methodology as in QCBS. The consultants who obtain less than the minimum qualifying marks will be rejected. Financial proposal of the highest ranked consultant firm will only be opened. The Borrower shall then negotiate the financial proposal and a contract with the consultant. All other aspects of the selection process shall be identical to those of QCBS, including the publication of the Award of Contract.

6.3.12 Least-Cost Selection (LCS)

LCS is appropriate for selecting consultants for assignments of a standard or routine nature (audits, engineering design of noncomplex works, and so forth) where well-established practices and standards exist. Under this method, a “minimum” qualifying mark for the “quality” is established. Proposals, to be submitted in two envelopes, are invited from a short list. Technical proposals are opened first and evaluated. Those securing less than the minimum qualifying mark are rejected, and the financial proposals of the rest are opened in public. The firm with the lowest price shall then be selected. Under this method, the minimum qualifying mark shall be established and stated in the RFP, understanding that all proposals above the minimum compete only on “cost.”

6.3.13 Individual Consultants

Each contract for individual consultants is expected to cost below US \$ 50,000 equivalent (INR 2.3 million) only. For hiring of individuals, it will be necessary to finalise the job description, minimum qualifications, experience required and terms of employment. Thereafter, an advertisement may be put into the national and regional newspapers indicating the above details. The applications received shall be scrutinized and ranking shall be prepared. Thereafter the top-ranked individual shall be invited for interviews/discussions and would be offered the assignment.

