General Financial Rules on Procurement of Goods & Services

Presented By

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WHAT IS TENDER?

- Tendering is the process of choosing the best and cheapest company to supply goods and services by asking several companies to make offers for supplying the goods and services.

- Tender is an offer which incorporates the sum of money, time and other conditions required to carry out the contract obligations in order to complete a project or a part of it consisting of specified works.

PRINCIPLES OF TENDERING

- All aspects of the tendering process must be conducted with honestly at all levels of the industry.
- A clear understanding of the rights and obligations of both parties.
- Parties must confirm to all legal obligations.
- Parties must clearly identify ownership.
- Parties must not submit tenders without a firm goal.
- Parties must not engage in any practice which gives improper advantage.
- Condition of tendering must be the same for tender on any particular project.
- Clients must clearly specify their requirements in the tender document and indicate criteria for evaluation.
- All the information provided in the course of tendering must be protected.

Desirable…

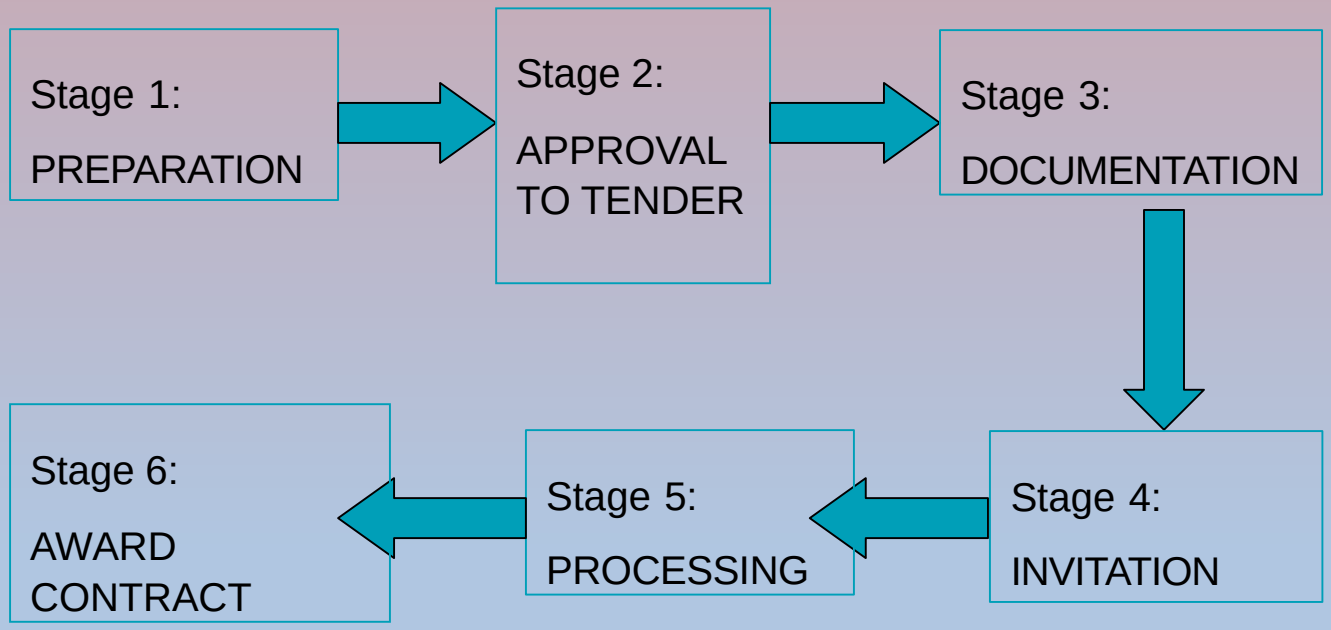
- Guidelines
- Action Plan & a detailed estimate
- Indent
- Store & Inventory
- Quantity & specifications to be adopted, should be prepared.
- Types of Contract/ Nature of Service
- Scope of work and project Cycle

Desirable…

- Availability of clear site and approval of building plans from local bodies.
- Availability of likelihood agency/ contractor in the Market.
- Structural drawings for the foundations, Lay out plan for all services.
- Schedule of Quantities with item rate.
- Tender Committee and Technical Evaluation Committee

TENDERING PROCESS

Tendering process can be divided in to six stages. These stages are shown in below picture.



Procurement Manual



Brings forth a comprehensive guidance to National and State Level for procuring Goods, Works and Services from the funds secured for the mission.



Outlines various methods and detailed steps of procurement to be followed by all implementing agencies.



Obligatory on all states, district societies and implementing agencies to strictly adhere to these guidelines.

Constitution and Functions of Procurement Committee

Review the grouping of items/services

Review bid/proposal evaluations



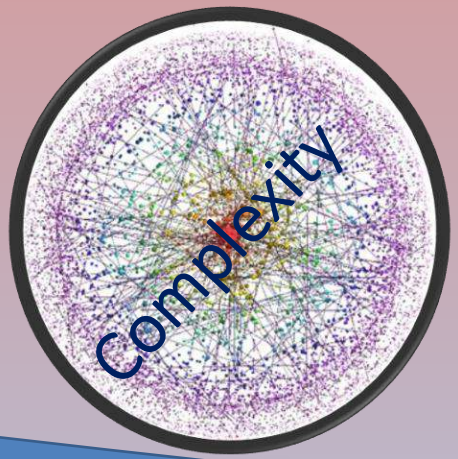
Prepare Procurement Plan

Procuring the items/services

ASSIGNMENT

SIZE





Choice of the appropriate method is based on





EMERGENCY

Project specific Financial thresholds agreed in the Finance Agreements

Procurement methods applicable for these 3 categories are same.

Goods

IT and non-IT Equipments)

Works

(Construction , renovation, refurbishment, extension)

Non-consulting

(Security, manpower, IT facility management, housekeeping, catering etc)

Publication of Tender Notice

- News Papers
- Websites
- E- Tendering Portals
- Direct information to registered bidders
- Foreign Embassies

Support System of Public Procurement

- Government's Policy Framework
- Legal Framework
- Procedural Framework
- Regulatory Framework

General Financial Rules (GFR)

- GFR are a compilation of rules and orders of Government of India to be followed by all while dealing with matters involving public finance
- These are treated as executive instructions to be complied with by all Departments and Organisations under the Government and specified bodies except otherwise provided for in these Rules

General Financial Rules (GFR)

- The first version was issued in 1947
- The second version in 1963
- The third version in 2005
- The present version was issued in February 2017.

GFR 2017: Enabling Provision

Rule 142

- GFR permits Ministries and Departments to formulate Sector Specific Procurement Procedures, Bid Documents, Contract Conditions etc. broadly in conformity with the GFR

GFR 2017: Enabling Provision

Rule 144

- No over procurement in terms of quantity
- No over procurement in terms of specifications
- Adoption of Standard Specifications (National Standards, International Standards, A department's own Standard)

Rule 144

- In the absence of any Standard Specification, Performance Specification may be adopted
- Exceptions with justifications (ensuring price is reasonable)

GFR 2017: Enabling Provision

Rule 173(ix)

- In order to attract sufficient number of bidders, the Specification should be broad based to the extent feasible

Rule 173(ix)

- The procuring authority should satisfy itself that the price of the selected offer is reasonable and consistent with the quality required

Rules of Public Procurement

Procurements are made by a bidding process. Following are the prescribed procedures in the GFR 2017

- Advertised Tender Enquiry (Rule 161). Procurement Value > Rs 25 lakh
- Limited Tender Enquiry (Rule 162). Procurement Value upto Rs 25 lakh
- Single Stage, Two Bid System – a variation of ATE (Rule 163)
- Single Tender Enquiry (Rule 166). No value limit but conditions apply

Rules of Public Procurement

- From Government e Marketplace (GeM). Mandatory for procurement of Goods and Services available in GeM (Rule 149)
- Procurement without inviting bids. Value Limit Rs 25,000 on each occasion(Rule 154)
- Procurement on the basis of recommendations of a three member Local Purchase Committee. Value of Procurement more than Rs 25000 and upto Rs 250000 on each occasion (Rule 155)
- For procurements of special nature – Two Stage Bidding (Rule 164)
- A Dynamic Bidding Process – Electronic Reverse Auction (Rule 167)

Rules of Public Procurement

- Leveraging Information Technology (IT) to ensure competition, economy, efficiency, equitability and transparency in Public Procurement
- Mandatory e-publishing on the CPP Portal of the NIC of all types of procurements i.e. ATE/LTE/STE by all Ministries/Departments of the Central Government, their attached and sub-ordinate offices and autonomous/statutory bodies
- Departments may use the e-procurement module of the CPP Portal or their own portal or that provided by a third party service provider
- Exemptions permitted

[Rule 159 & 160 of the GFR]

Rules of Public Procurement

A few important provisions in the GFR 2017, ATE (Rule 161)

- 'Advertisement' means e-publishing in the CPP Portal.
- The Rule of advertising in at least one National Daily of wide circulation and entering into the Indian Trade Journal no longer applies
- Complete bidding document is to be posted in the website of the department and in the CPP Portal to enable prospective bidders to download the bidding document and use it.
- No cost to be paid by the prospective bidders for the downloaded bidding documents

Rules of Public Procurement

- Where GFR permit procurement without competition
- Procurement under Rule 166 of the GFR 2017

Rule 166: Single Tender Enquiry

- Procurement from a single source may be resorted to in the following circumstances:

1. It is the knowledge of the user department that only a particular firm is the manufacturer of the required goods
2. In a case of emergency, the required goods are necessarily to be procured from a particular source and the reason for such decision is to be recorded and approval of competent authority obtained.
3. For standardization of machinery or spare parts to be compatible to the existing sets of equipment (on the advice of a competent technical expert and approved by the competent authority), the required item is to be purchased only from a selected firm

NB: In circumstances 1 and 3 above, Proprietary Article Certificate (PAC) is to be provided by the Ministry/Department in the format prescribed in the GFR

Rules of Public Procurement

Basis of selection of a bid

- The procuring authority should be satisfied that the selected offer adequately meets the requirements in all respects - Rule 144(vi) of the GFR, 2017
- This means that,

✓Bids must be eligible and from an eligible bidder

✓Bids must be substantially responsive to the requirements of the procurement

✓Bids must be from qualified bidders

Rules of Public Procurement

Bidding Document

- Framing of Bidding Conditions/Bidding Documents is, by far, the most crucial exercise of any public procurement process
- Without a properly designed bidding document, no procurement tender can be finalised or correctly finalised
- While framing the bidding conditions the basic principles of public procurement – competition, economy, efficiency, equitability and transparency need be kept in view
- Text of bidding documents shall be self contained and comprehensive without any ambiguities. All essential information which a bidder needs for sending responsive bids; should be clearly spelled out in the bidding document in a simple language – Rule 173(i) of the GFR, 2017

Rules of Public Procurement

- **Bidding Conditions – Rule 173 of GFR 2017**

➢A condition that *"if a firm quotes NIL charges/consideration; the bid shall be treated as unresponsive and will not be considered."*

➢Suitable conditions enabling a bidder to question the bidding process and/or rejection of its bid

➢A condition clearly stipulating that the resultant contract will be interpreted under Indian Laws

- **Evaluation of Bids – Rule 173 (xii) GFR 2017**

➢Bids received shall be evaluated in terms of the conditions already incorporated in the bidding documents

➢No new condition which was not incorporated in the bidding documents should be brought in for evaluation of bids

➢Determination of a bid's responsiveness should be based on the contents of the bid itself without recourse to extrinsic evidence

Rules of Public Procurement

- Rule 170: Bid Security
- Required to safeguard against a bidder's withdrawing or altering its bid during the bid validity period in the case of advertised or limited tender enquiry [also known as Earnest Money]
- To be obtained from the bidders except those
- Who are registered with the Central Purchase Organization, or the concerned Ministry or Department, or are Micro and Small Enterprises (MSEs) as defined in the Ministry of MSME Gazette Notification of 2012 or Startups as recognized by Department of Industrial Policy and Promotion (DIPP)
- The bidders should be asked to furnish bid security along with their bids
- Amount of the Bid Security should ordinarily range between 2% to 5% of the estimated value of the goods to be procured. The exact amount of Bid Security should be accordingly determined by the Ministry/Department and indicated in the bidding documents
- May be accepted in the form of A/c Payee DD, FDR, Banker's Cheque or BG from any of the commercial banks or payment online in an acceptable form, safeguarding the purchaser's interest in all respects.

Rules of Public Procurement

- Rule 171: Performance Security
- To ensure due performance of the contract, Performance Security is to be obtained from the successful bidder , winning the contract.
- Unlike contracts for Works and Plants, in case of contracts for goods, the need for the Performance Security depends on the market conditions and commercial practice for the particular kind of goods
- Amount should be 5 to 10% of the value of the contact to be awarded
- Acceptable forms: A/c Payee DD, FDR from a Commercial Bank or BG from a Commercial Bank or online payment, in an acceptable form, safeguarding purchaser's interests in all respects.
- Validity: Should remain valid for a period of 60 days beyond the date of completion of all contractual obligations of the supplier including warranty obligations
- Bid Security should be refunded to the successful bidder on receipt of the Performance Security

Rules of Public Procurement

- Rejection of all Bids is justified when

(a) Effective competition is lacking

(b) All bids and proposals are not substantially responsive to the requirements of the Procurement Documents.

(c) Bids/Proposal's prices are substantially higher than the updated cost estimate or available budget; or

(d) None of the technical proposals meets the minimum technical qualifying score

Rule 173 (xix), GFR 2017

- 'Lack of competition' shall not be determined solely on the basis of the number of bidders. Even when only one bid is submitted, the process may be considered valid provided following conditions are satisfied:-

a. The procurement was satisfactorily advertised and sufficient time was given for submission of bids

b. The qualification criteria were not unduly restrictive; and

c. Prices are reasonable in comparison to market prices

Rule 173 (xx), GFR 2017

Public Procurement (Preference to Make in India) Order, 2017

- Provisions of Para 3(b) of the Order shall apply to procurements of Goods or Works which are not covered by Para 3(a) of the Order and which are divisible in nature
- Para 3(b) of the Order states

1. If the L1 bidder is a Local Supplier, then 100% order on the L1 bidder
2. If the L1 bidder is not a Local Supplier; then order for 50% on the L1 bidder

Public Procurement (Preference to Make in India) Order, 2017

- False declarations will be in breach of the Code of Integrity under Rule 175(1)(i)(h) of the GFR for which a vendor can be debarred for a period up to two years as per Rule 151(iii) of the GFR along with such other actions as may be permissible under law
- A supplier who has been debarred by any procuring entity for violation of this Order shall not be eligible for preference under this Order for procurement by any other procuring entity for the duration of debarment
- Debarment for such other procuring entities shall take effect prospectively from the date on which it comes to the notice of other procurement entities

Rules of Public Procurement

- Startups

➢Startups recognized by the Department of Industrial Policy and Promotion (DIPP) are exempted from furnishing EMD – Rule 170 of GFR 2017

➢The condition of prior turn over and prior experience may be relaxed for Startups (as defined by the Department of Industrial Policy and Promotion) subject to meeting of quality and technical specifications and making suitable provisions in the bidding document – Rule 173(i) of GFR 2017

Rules of Public Procurement

- Procurement of Energy Efficient Electrical Appliances: Ministries/Departments while procuring electrical appliances, notified by DoE shall ensure that they carry the notified threshold or higher Star Rating of the Bureau of Energy Efficiency (BEE).

[Rule 173(xvii) of the GFR 2017]

Rules of Public Procurement

Rule 151 – Debarment from bidding (continued)

- Department of Commerce (DGS&D) will maintain such list which will also be displayed on the website of DGS&D as well as CPP Portal.
- A procuring entity may debar a bidder or any of its successors, from participating in any procurement process undertaken by it, for a period not exceeding two years; if it determines that the bidder has breached the code of integrity. The Ministry/Department will maintain such list which will also be displayed on their website.
- A bidder shall not be debarred unless such a bidder has been given a reasonable opportunity to represent against such debarment.

Code of Integrity (Rule 175)

- Applicable for both the procuring entity and the bidder.
- Code of Integrity prohibits
  - Making offer, solicitation or acceptance of bribed
  - Any misrepresentation that attempts to mislead
  - Collusion, bid rigging, anti competitive approach
  - Coercion or threat to impair or harm
- Disclosure of Conflict of Interest (Guidance will be in Manuals)
- Disclosure of any previous transgression by the bidder
- Procuring entity may take appropriate measures including debarment of bidder.

Conditions for acceptance of single offer(Rule 173 xx)

- Due process was followed
- Qualification criteria not unduly restrictive
- Rates are reasonable
- Will be treated as single tender for determining competent authority for acceptance of offer.

Energy Efficient Electrical Appliances (Rule 173 xvii)

- Ministries/Departments while procuring electrical appliances shall ensure that they carry the notified threshold or higher Star Rating of the Bureau of Energy Efficiency (BEE).

Appliance	Threshold Star Rating
Split Air conditioners	5 Star (under normal conditions where annual usages are expected to be more than 1000 Hrs) 3 Star (where usage of AC is limited e.g. in conference rooms)
Frost Free Refrigerators	4 Star
Ceiling Fans	5 Star
Water Heaters	5 Star

Consultancy Services (Rule 177)

- **Consultancy Services**: Any Procurement that is primarily
  - non-physical,
  - project-specific,
  - intellectual or advisory
  - where outcomes/ deliverables would vary from one consultant to another.
- May include management consultants, policy consultants etc.
- Does not include direct engagement of a retired government servant

Retired Government Servant (Para 2.1.6 of Manual)

- Can be hired as consultant through a competitive process.
- Should not be engaged against regular vacant posts
- Can be engaged only for the specific task and for specific duration as consultant.
- They should be assigned clear output related goals.

Quality and Cost Basis Selection (QCBS)

Rule 192

- Earlier part of Manual issued in 2006
- Provisions added to ensure due weightage to Quality is given in procurement of Consultancy
- Maximum weightage of quality in QCBS increased from 70 to 80%.

CASE STUDY

Estimated cost of INR 25 Lakhs was put in procurement plan for purchase of laptops. While purchasing, it was found that the actual procurement would be more than 25 Lakhs…

Threshold Value for limited tender is 25 lakhs.

1. This is a classic example of ……
2. What do you think state had done
3. What could have been a good procurement practice

CASE STUDY

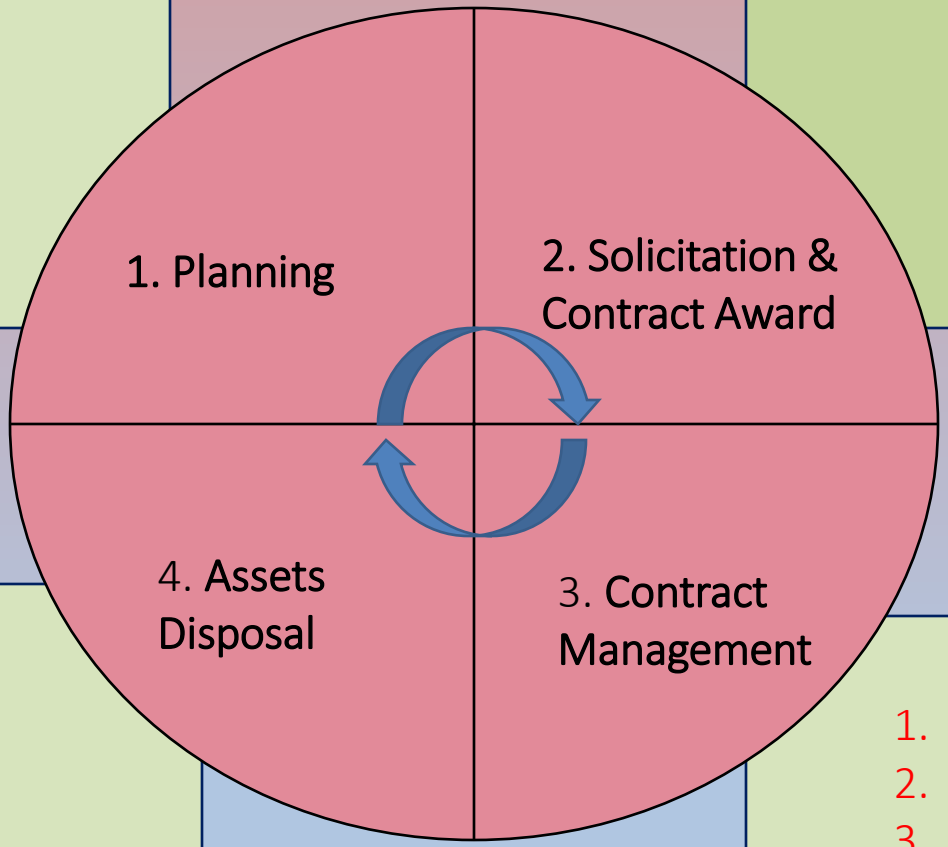
Implementing agency wants to buy computers and laptops through GeM(Government E-Market) while going through the process of registration, the procurement officer comes to know that it would take more than 3 months to get the ordered product through GeM rate contract and they would be required to pay 90% advance.

But the requirement was urgent as new staff was joining in next 15 days.

- What should the procurement officer do…..

The Procurement Process…

1. Needs and Budgets
2. Requisition Plan
3. Procurement Plan
4. Define Objectives
5. Specifications



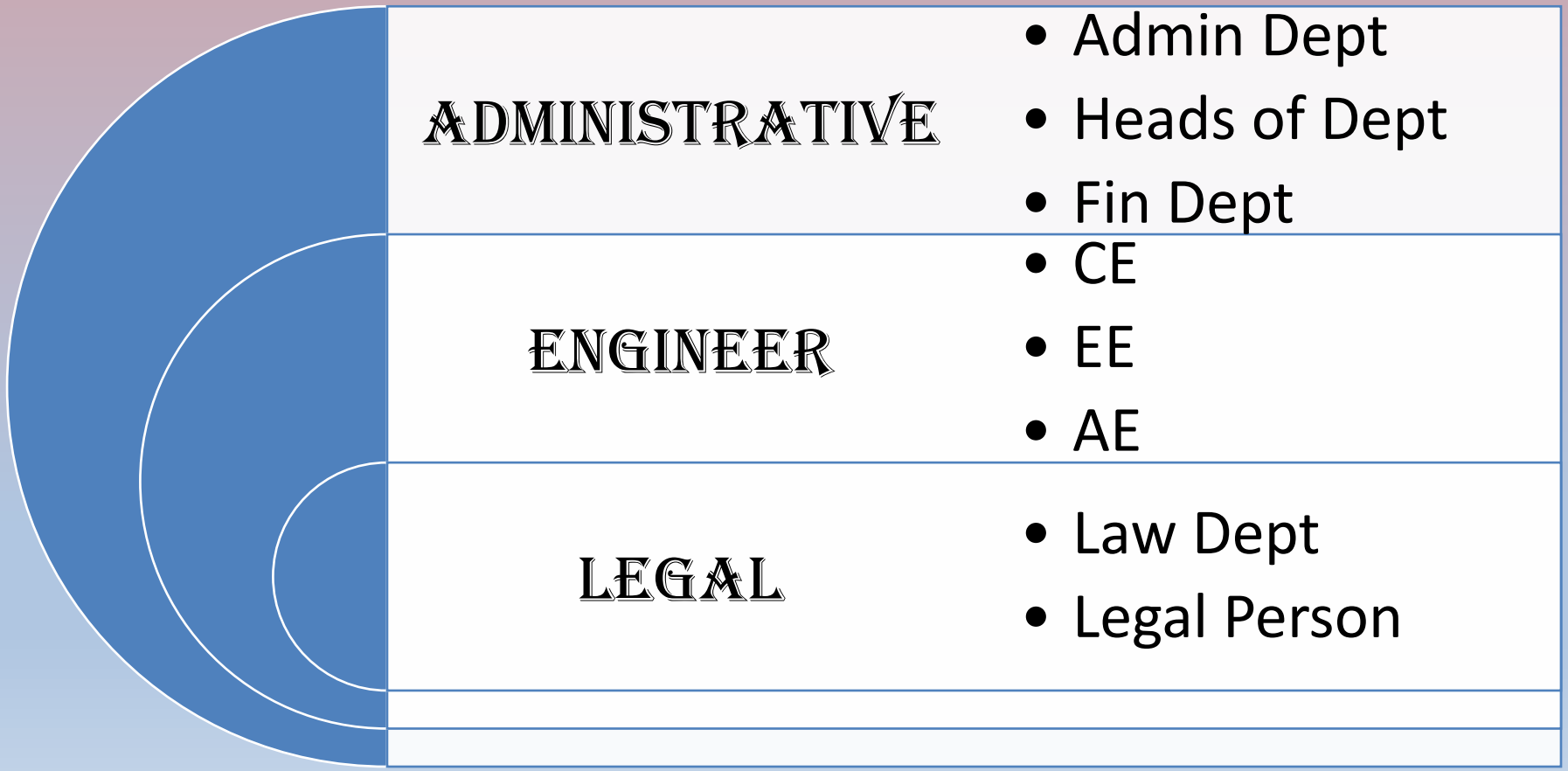
1. Review of specifications
2. Methods
3. Sourcing
4. Bidding Documents
5. Bid receipts
6. Evaluation
7. Contract Approval
8. Contract Award

1. Asset usage
2. Disposal

1. Debriefing Bidders
2. Contract Mgmt
3. Receipt & Inspection
4. Payment
5. Updating records

VETTING OF TENDER DOCUMENTS/ NIT

Tender documents should be prepared and approved by an authority who is empowered to approve the Notice Inviting Tenders (NIT) before it is issued.



Vetting of Tender Documents

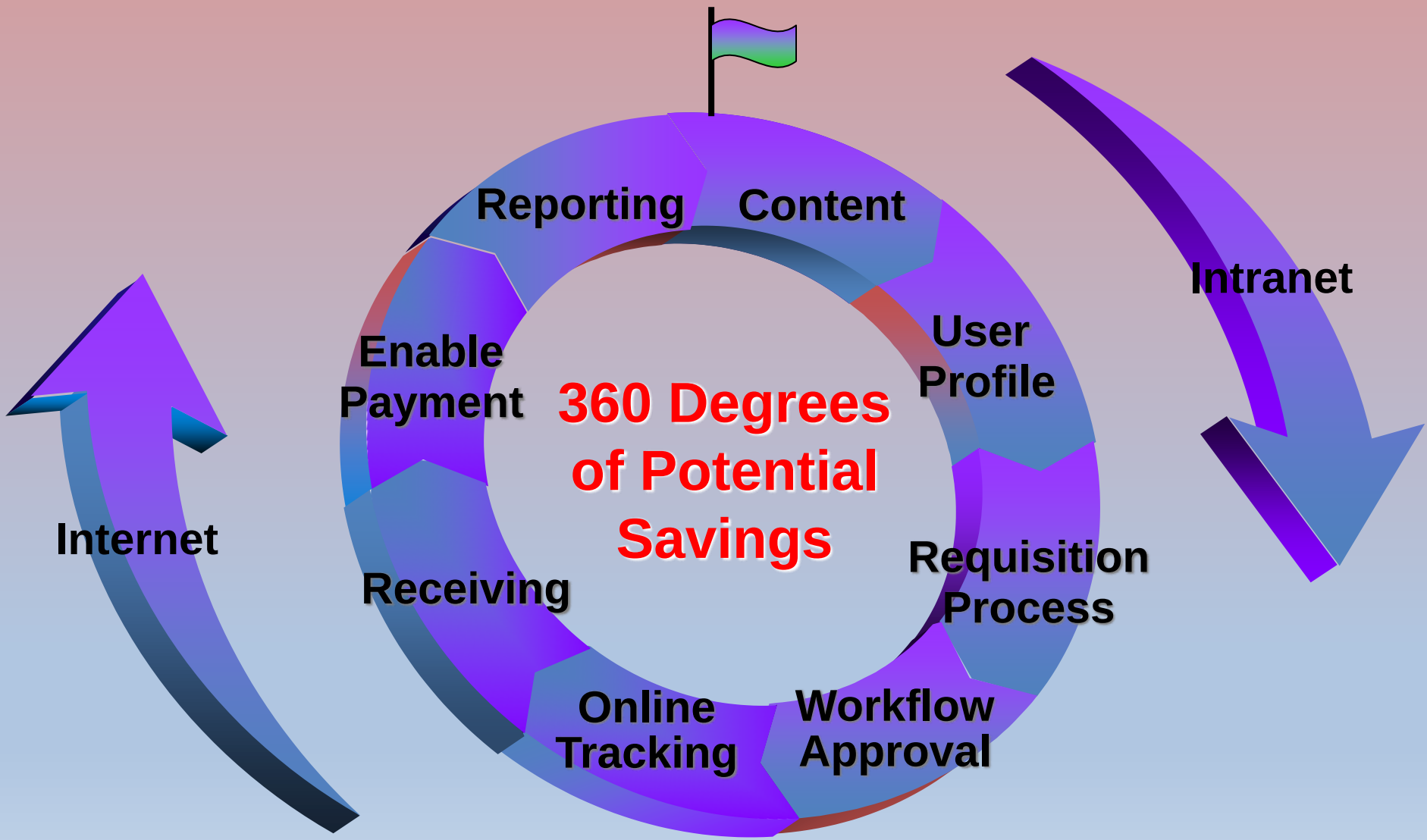
- The Admin Dept shall check the limit cost, staffing, Project Risk, Budget Risk, Implementation Risk and any flags.
- The Engineer Dept / Architect/ who compiles the tender documents for sale, should invariably date and initial all corrections, conditions and additions in the Schedule of Quantities, Schedule of Materials to be issued and specifications and other essential parts of contract documents, and also date and initial on all the pages of the tender documents, irrespective of fact whether they contain or do not contain any corrections or over writings etc. .
- Legal : Law Dept shall approve the tender documents in terms of terms and conditions of the Contract and contract risk , termination, indemnity, limited liability, severability etc, Arbitration, Jurisdiction, Insurance, Penalty, Amendments, dispute resolution and contract obligations.


E-PROCUREMENT OF GOODS AND SERVICES

INTRODUCTION

- E-Procurement means procurement of goods and services online using the internet.
- Beauty of today's Internet Applications is that they are much more scalable, to the size of any business.
- Ideally it covers the full '**life cycle of procurement'.**
- The intention is to automate , possibly , the entire procurement process, along with tender bid submission and payments by suppliers, in an online web-based real-time environment.
- E-Procurement could resolve many of the constraints/delays of traditional procurement.

COMPLETE E-PROCUREMENT CYCLE



OBJECTIVES OF E-PROCUREMENT

- Reduce cycle times of procurement.
- Increase supplier access to ensure wider participation.
- Reduce costs of procurement through competitive bidding and Reverse Auctioning.
- Remove cartelisation by supplier groups (Reverse Auctioning).
- Increase visibility for effective decision making.
- Increase transparency.
- Almost complete elimination of paperwork, for speedy and efficient functioning

HOW E- PROCUREMENT WORKS

- The buying process usually starts with selecting your supplier .
- Selecting the best supplier globally.
- For purchase order requests, it can be automated and linked to the selected products.
- The purchase order processing and submission to the supplier, can be completed over the Web.
- Follow-up , tracking of the orders, including the fulfillment, delivery, receipt and payment, can be done through Web applications,

FEATURES OF AN E-PROCUREMENT PLATFORM

E-procurement platforms have a full range of features.

- Research
- Manage vendors
- Create authorizations/approval routing
- Request quotes and bids
- Make purchases
- Check order status
- Handle receivables

FEATURES OF AN E-PROCUREMENT PLATFORM CONTD.

Important sell-side capabilities that will attract vendors include:

- Manage buyers
- Manage catalogs
- Promote products and services
- Respond to quotes and bids
- Accept orders

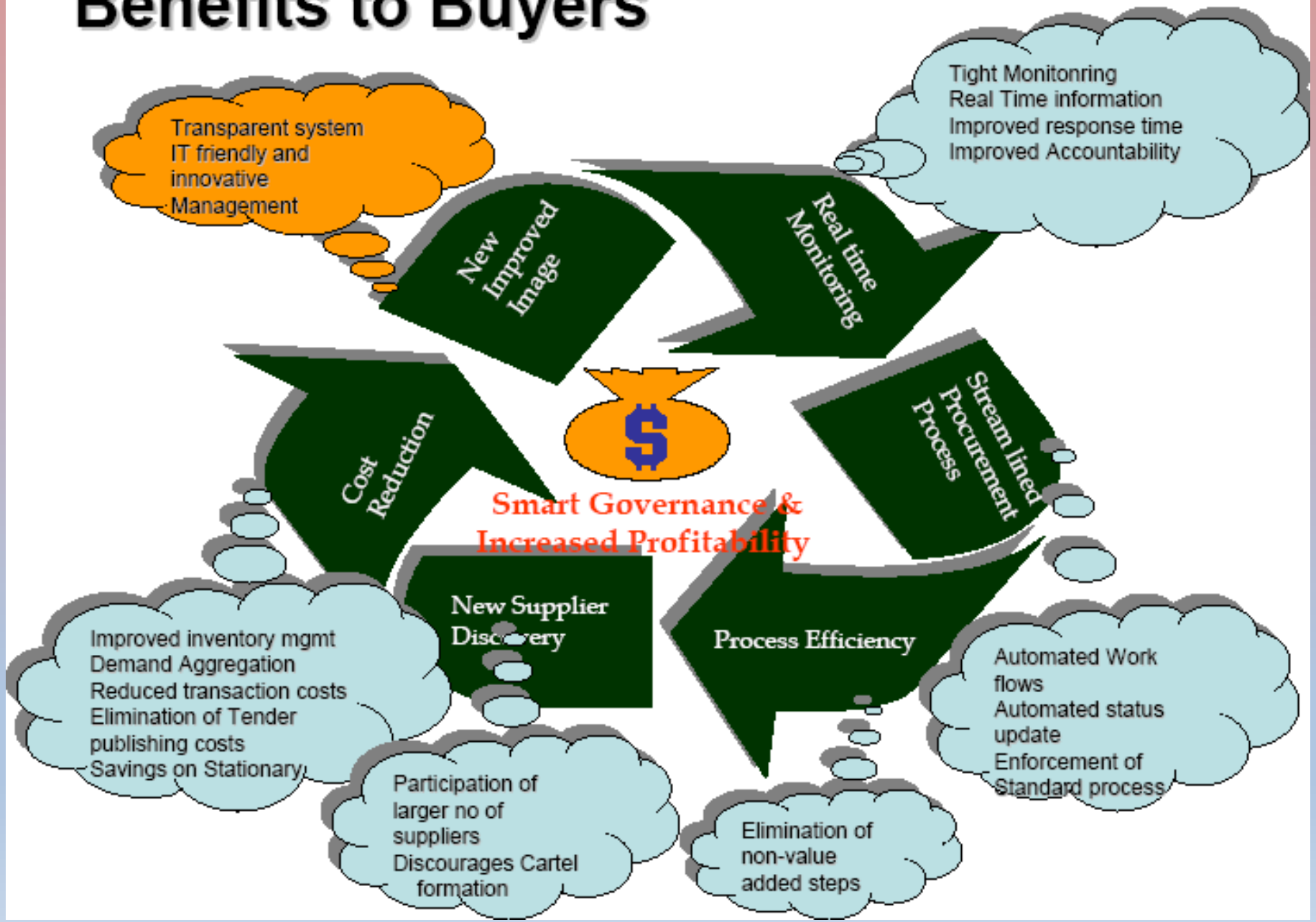
TECHNOLOGY SOLUTIONS

- Use of new tools and applications.
- Require one ore more servers.
- Needs to be reliable, scalable, secure, accessible and manageable.
- Permanent and high-speed Internet connection.
- Protected from unwanted visitors.
- Setup controlled and safe network through Virtual Private Network
- Access and participate to E-market places relevant to your area of business.

Technology Solutions



Benefits to Buyers



BENEFITS TO SUPPLIERS

- Increased visibility/ Less artificial barriers.
- Increased business opportunities.
- Greater degree of transparency.
- Cycle time reduction in participation and award of Contract.
- Supplier Enablement and Ease of Participation.

MODES OF E-PROCUREMENT

Electronic procurement activities could be effected by:-

- e-Tendering
- e-Auctioning–Reverse Auctions
- e-Catalogue based buying/e-Ordering

E-TENDERING


Requisition
Announcement
EOI Management
Pre-bid Evaluation
Collaboration
Submission
Opening
Evaluation
Award
Society
Supplier
Government
Tender Tailor
Secure Web Access
Transpartent Workflow
Best Practices

E-TENDERING SYSTEM ENCOMPASSES:

- The creation of and approval of purchase requisitions.
- Publication of Invitation to Tender (ITT).
- Expression of interest (EOI).
- EOI management.
- Pre-qualification and selection of vendors.
- Publication of tender documents.
- Bid submission.
- Opening bids and bid evaluation.
- Placement of contract within a secure environment.

E-PAYMENT

•It has been in operations since 1960s and have been expanding rapidly.

•It was first electronic based payment system.

• An electronic fund transfer is a financial application of EDI.

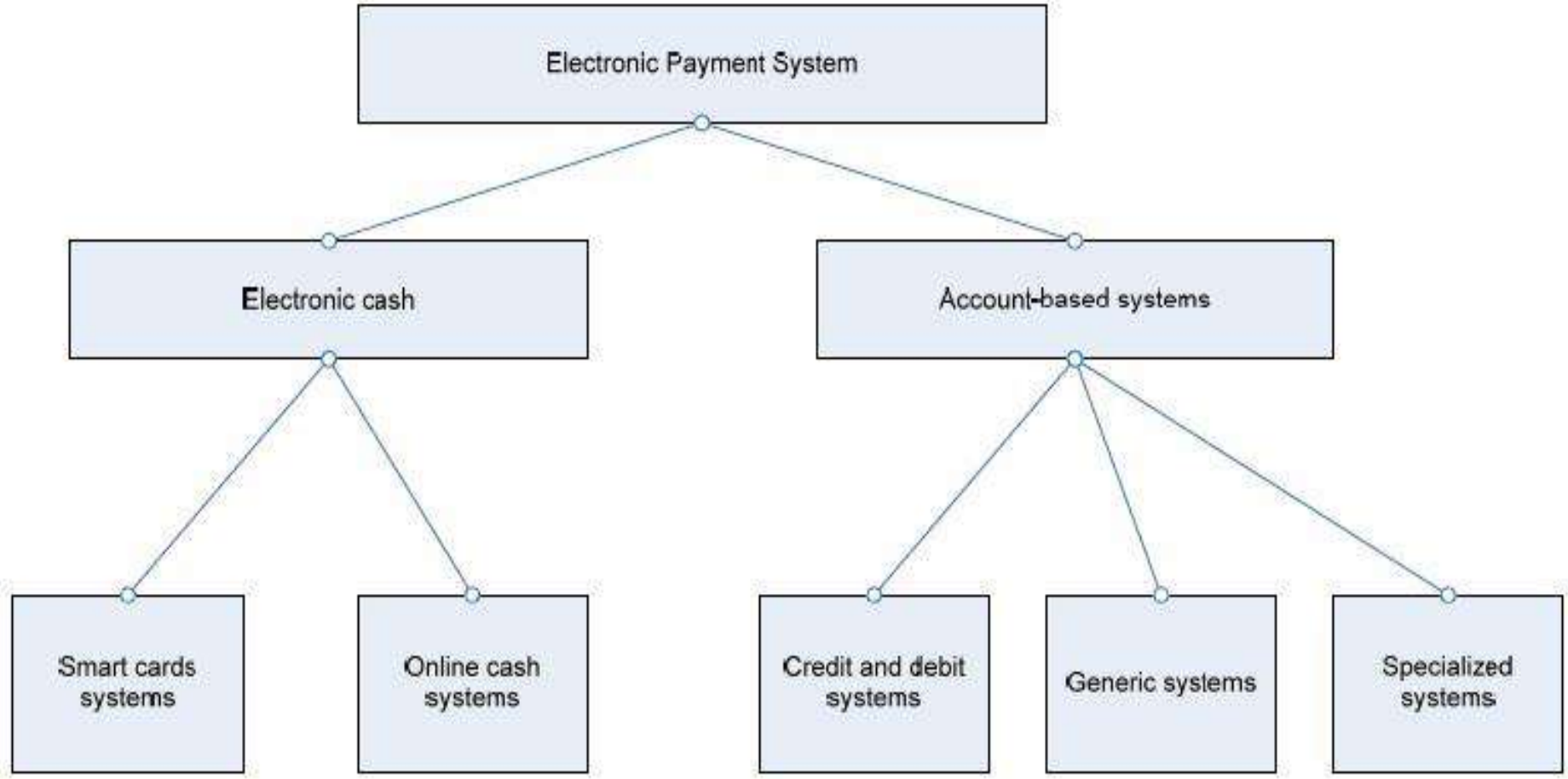
•To use EFT to clear payments and settle accounts.

•A landmark came in this direction with the development of digital currency10.

•The nature of digital currency or electronic money mirrors that of paper money as a means of payment.

•As such, digital currency payment systems have the same advantages as paper currency .

TYPES OF E-PAYMENT



CONCLUSION

- Requires dedicated planning and some investments.
- It help to better manage suppliers
- Reduces procurement costs.
- It helps to manage changes in company culture, organization and processes.
- E-Procurement will improve your overall business performance.
- It can benefit business of all sizes.

THANKS

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