CHAPTER 1
INTRODUCTION

1.1 INTRODUCTION

The purpose of this Manual is to inform the concerned staff of NPMU , SPMU and implementing agencies, the objectives of the project, guidelines for implementation of the project and to keep the 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.

1.2 PROJECT NAME AND DESCRIPTION

Up to now, the approach to managing India's coastal zone has been a purely regulatory one, as per the Coastal Regulation Zone (CRZ) Notification of 1991, promulgated under the Environment (Protection) Act of 1986. This approach does not provide room to balance coastal zone conservation and necessary economic growth in the area or seek convergence with other development activities. Increasing developmental pressure during the last decade led to violations of legal provisions and the economic sector simultaneously demanded for rationalizing the present regulatory measures. In July 2004, the Ministry of Environment and Forests (MoEF) constituted an Expert Committee, under the chairmanship of Prof. M.S. Swaminathan, to carry out a comprehensive review of the Coastal Regulation Zone notifications, taking into account the findings and recommendations of all previous committees, judicial pronouncements, representations from various stakeholders and suggest suitable amendments. The committee also had the mandate to make the regulatory framework consistent with well-established scientific principles of coastal zone management and more flexible, depending on the local characteristics of the coastal zone stretches to be protected.

The Swaminathan Committee submitted its report in February 2005, recommending a number of reforms to facilitate conservation of ecosystems in the coastal zone, and at the same time promoting economic development and poverty reduction in the coastal areas.

The Swaminathan Committee recommended that, to support the implementation of integrated coastal zone management approaches, the Government of India should strengthen the technical and human resource capacity in the country. As part of its recommendation, the Swaminathan Committee recommended establishment of the National Institute for Sustainable Coastal Zone Management.

The MoEF is now mandated to implement the recommendations of the Swaminathan Committee and has requested the World Bank for support in the implementation of the Swaminathan Committee report and various initiatives to be undertaken to institute a pro-active management of the Coastal Zone. To achieve the objectives of integrated coastal zone management in the coastal areas of India, the Ministry of Environment and Forests (MoEF), Government of India has prepared Integrated Coastal Zone Management (ICZM) project with the financial assistance from the World Bank.

1.3 SCOPE OF THE MANUAL

Procurement Manual contains procedures to be followed for procurement of goods, works and consultancy services for implementation of ICZM Project. The manual is based on World Bank Guidelines and will be applicable for the partners/ stakeholders in implementation of program, namely, NPMU , SPMU and all other implementing agencies . The Manual includes draft of Invitation of Bids; briefs of Contract data; eligibility for sub-contracting the works; pre-bid conference; procurement process, evaluation of bids for works and goods, award of contract and requirement of consultation with Bank at appropriate stages.

Appropriate Standard Bidding Documents of Bank as agreed by the GOI Task force with the World Bank (as amended from time to time) shall be followed for procurement of goods, works and services for individual projects as per approved Procurement Plan, and for changes, if any, prior clearance of the Bank shall be obtained. The State Financial Rules, Manual of Orders and Accounts Code relating to procurement of goods, works and services have been kept in view in the preparation of this Manual to the extent they are consistent with the Bank guidelines . In case of conflict the provision under this manual will prevail for all procurements.

1.4 MODIFICATION TO MANUAL

The Manual shall be a reference tool for the project implementation by the Implementing Agency and related agencies The guidelines and procedures for procurement of goods, works and services are however, subject to modification with the approval of Bank and Ministry of MOEF , New Delhi . in case of any peculiar circumstances and where situation so warrants.

1.5 DEFINITIONS

"Project" means 'Integrated Coastal Zone Management Project' (World Bank assisted).

"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.

"NPMU" means National Project Management Unit set up by Ministry of Environment and Forest for facilitating, implementing, coordinating and monitoring Project activities at the National level.

"SPMU" means State Project Management Unit set up in the state to facilitate, implement, coordinate and monitor the Project activities at the State level.

CHAPTER I1
INSTITUTIONAL ARRANGEMENTS

2.1 Project Institutional Structure

2.1.1 GoI's MoEF will have the lead responsibility for project implementation and ensuring that the project development objectives are met. The Departments of Forests & Environment (DoFE) of each of the three participating states will be the key partners of MoEF in project implementation. Each of these four main partners have set up special purpose vehicles in the form of registered societies (National and State level PMUs), to exclusively lead and coordinate project activities on a full time basis and directly implement some of the project sub components. The main division of responsibility amongst these four partners and the National and State level PMUs would be as below.

2.1.2 The project's institutions will mainly operate at three levels

(a) National Level : MoEF with National level PMU

(b) State Level : DoFE with State level PMUs in each of the three states, and

(c) Pilot Investments in 3 States: A range of government departments/ specialized agencies

2.1.3 The MoEF and the state DoFEs have the sole mandate for coastal zone management respectively at the national and state levels. They have the expertise, experience and demonstrated capacity in coastal zone management and have been the obvious choice to lead project implementation. Similarly the pilot execution agencies have been selected by MOEF and the State DOFEs in view of their singular expertise in implementing respective coastal zone conservation and development interventions.

2.1.4 The proposed institutional arrangements, roles and responsibilities of various actors and their organizational linkages will be as follows (charts to be inserted later).

2.1.5 At the **National Level: MOEF** headed by the Secretary will be primarily responsible for implementing the project. It is setting set up a special purpose NPMU to exclusively manage the project and is also in the process of establishing an Empowered Committee (EC) to facilitate speedy implementation of the project. The EC will be headed by the Additional Secretary, MoEF and the Project Director of the NPMU will be its Member Secretary. The other members of the Empowered Committee will include representatives of select National and State level departments, agencies and experts in the CZM. EC's main functions would be: providing policy and implementation framework, approval of AAPs and budgets, approval

to high cost consultancy and works awards and provide an oversight on the project's implementation performance and outcomes. The details of EC's mandate, composition, functions and powers are being included in the PIP. EC will also seek guidance and support of the National ICZM Authority from time to time as needed.

Table 3: Institutional Responsibilities for Implementation of the Project

Responsible Institution	Main Function
MoEF, GoI	Providing National Policy and implementation framework, Approval of Annual Plans and budget, and Implementation oversight
NPMU under MoEF, GoI	Project Implementation leadership and accountability to achieving PDOs, Implementation of the National Component
DoFE in each of the three States- Gujarat, Orissa and West Bengal	Providing State Policy and implementation framework, Approval of state level Annual Plans and budget, and Implementation oversight
SPMUs under the respective DoFEs of Gujarat, Orissa and West Bengal	State Level Project Implementation leadership and accountability to achieving PDOs, Implementation of the State level components

2.1.6 National Project Management Unit (NPMU): NPMU is being set up within the MoEF under the Secretary with an exclusive mandate for providing countrywide leadership, collaboration and management of the ICZM project. NPMU will be responsible for ensuring that the PDOs are fully achieved in a timely manner. Its main functions will be: overall project planning and management, directly implementing the national component, providing guidance, support and approvals as needed to the three SPMUs including monitoring performance of the State components, management of project funds including timely release of advance project funds to the States and seeking reimbursements from the Bank. Its functions will also include: capacity building of all Project partners, managing country wide IEC campaigns and stakeholder participation, ensuring appropriate procurement practices and high quality of engineering designs and construction, ensuring compliance with the project's safeguard policies, implementing enhanced Governance and Accountability Action Plan, and regular monitoring and evaluation of project performance. It will be responsible for liaising with the World

Bank and for sending quarterly progress reports to EC of the MOEF and the Bank. It will also responsible for regular review of strategies and implementation arrangements in the context of implementation experiences and for ensuring course corrections as needed.

2.1.7 NPMU is being set up as a registered society and its MOA and bylaws, mandate, composition, functions, powers and operational procedures have been agreed and will be included in the PIP. The NPMU will be headed by a Project Director, an Indian Administrative Service officer not below the rank of a Joint Secretary of GoI and will have about 15 key professional staff. The staff will be multi-disciplinary including specialists in Environment, Ecology, Ocean Engineering, Finance, Operations, HRD, M&E, Procurement and Communications disciplines. The professional staff will be drafted from within the National/ State government offices/ agencies, or recruited from private sector on contract basis. Project Director and some of the key staff members will be in position in April 2009, well before appraisal of the project, and a few additional positions will be filled prior to negotiations. In addition, NPMU will recruit private sector consultants/ experts (individuals, institutions or firms) from time to time as necessary to strengthen its project management capacity.

2.1.8 At the **State Level:** The Departments of Forests and Environment (DoFEs) headed by the Principal Secretary in each state would be primarily responsible for implementing the respective state components of the project. The three state are setting up special purpose SPMUs as registered societies (or have nominated existing such societies) to manage the project in their states and are also establishing Empowered Committees to facilitate speedy implementation of the project. These ECs will be headed by the Secretaries of the DoFE and the Project Directors of the SPMUs are their Member Secretaries. The other members of the Empowered Committees include representatives of select National and State level departments, agencies and experts in the CZM. EC's main functions would be: providing state level ICZM policy and implementation framework, approval of AAPs and budgets, ensure inter-departmental coordination and partnership, approval to high cost consultancy and works contract awards and provide an oversight on the project's implementation performance and outcomes. The details of EC's mandate, composition, functions and powers are included in the respective state PIPs. ECs will also seek guidance and support of the State ICZM Authorities from time to time as needed.

2.1.9 State Project Management Units (SPMUs): Respective State level SPMUs would be state level counterparts of the NPMU and would have similar responsibilities for the respective state components. SPMUs are being set

up in the three States within the respective DOFE under the Secretary with an exclusive mandate for providing statewide leadership, collaboration and management of the ICZM project and would be accountable to NPMU for achieving PDOs. They will adopt various project implementation guidelines issued by NPMU and report to NPMU from time to time on project implementation performance and achievements. SPMUs will send quarterly progress reports to EC of the DOFE, NPMU and the Bank.

2.1.10 SPMU's main functions will include overall project planning and management, directly implementing some of the agreed sub-components/ pilots, providing guidance, support and approvals as needed to the pilot executing agencies (PEAs), and monitoring their performance, management of project funds including timely release of advance project funds to the PEAs, and ensuring that agreed safeguard and fiduciary policies and procedures are fully complied with by the PEAs. Its functions will also include : capacity building of all project partners, managing state level IEC campaigns and ensuring stakeholder participation, ensuring appropriate procurement practices and high quality of engineering designs and construction, implementing enhanced Governance Action Plan (see Annex 11), and regular monitoring and evaluation of project performance in the State. SPMUs will regularly review of strategies and implementation arrangements in the context of implementation experiences and ensure course corrections as needed in consultation with the NPMU.

2.1.11 SPMUs are being set up as a registered societies and their MOA, bylaws, mandate, composition, functions, powers and operational procedures will be agreed and included in the respective state PIPs. Gujarat and West Bengal have mandated exiting state agencies to perform the function of the SPMU whereas Orissa has set up an entirely new SPMU for the project. The SPMUs are headed by a State Project Director, an officer not below the rank of an Additional Secretary of the State and will each have about 10 full time key professional staff. Where exclusive Project Directors have not been provided, an additional state project director has been included to lead the SPMU on a full time basis. The staff will be multi-disciplinary including specialists in Environment, Ecology, Ocean engineering, finance, operations, HRD, M&E, procurement and communications disciplines. Most professional staff will be drafted from within the National/ State government offices/ agencies. The rest would be filled from private sector on contract basis. The State Project Director and some of the key staff members will be in position before appraisal of the project, and a few additional positions will be filled prior to negotiations. In addition, SPMUs will recruit private sector consultants/ experts (individuals, institutions or

firms) from time to time as necessary to strengthen their project management capacity.

2.1.12 Pilot Executing Agencies (PEAs): Each of the State DOFEs have entrusted the work of implementing select pilot investments to identified specialized agencies in their states. The Secretaries of these departments will be responsible for implementing the respective pilot investments, ensuring acceptable implementation standards and for achieving the output and outcome targets of the pilot investments. They have identified exclusive project teams to be responsible for implementing the agreed pilot projects adopting the Project Guidelines contained in Project Agreements signed with the Bank, the State Project Reports and PIPs. The main function of these project teams would be: preparing DPRs as per nationally accepted technical standards and specifications, seeking appropriate technical and administrative approvals from within their own departments and SPMU, construction/ installation of facilities, managing project funds if required, related capacity building, ensuring compliance with project's safeguard and fiduciary policies, standards and procedures, and supporting concurrent M&E. These Project Teams would report to the respective SPMUs in regard to implementation progress and performance of the pilots and provide accounting and audit and other progress reports as required by SPMU. The sharing of roles and responsibilities – including administrative and fiduciary arrangements – between the SPMUs and the PIAs have been agreed and will be documented in the signed bilateral MOUs.

2.1.13 The role of PEAs would be very important to develop institutional models for post-project and eventual institutionalization of the intended integrated approach to CZM across all coastal States in India. However, to ensure that this pilot project is efficiently and quickly implemented, procurement of works, goods and consultancies, the related financial aspects and an independent M&E mechanisms would be largely managed by the SPMUs, leaving the only the implementation management of priority investment to PEAs- where their core competency will only be utilized. In view of the otherwise complex institutional change agenda of the project, this approach will ensure greater fiduciary assurance in project implementation.

CHAPTER I1I
PROCUREMENT ARRANGEMENTS

1. INTRODUCTION :

1.1 The Integrated Coastal Zone Management (ICZM) project is national in scope and along with the center involves the States of Gujrat , Orissa and West Bengal . Each of the three State involves several line departments who are the implementing agencies for the project in there respective states.

1.2 NPMU is being set up at National level under MoEF which will implement manage and co-ordinate the project at a national level. The SPMU is being set up in each State to implement, manage and coordinate the ICZM Project in their state.

1.3 The NPMU and SPMU will have the following pilot implementing Agencies (PEA's) implementing agencies under them :-

NPMU

1. Survey of India
2. National Institute for Sustainable Coastal Zone Management *(To be set up)*

SPMU , Gujarat

1. Gujarat Ecology Commission
2. Marine National Park
3. GEER foundation
4. Jamnagar Municipal Corporation
5. Gujarat Pollution Control Board
6. Bhaskaracharya Institute for Space Applications and Geo-Informatics (BISAG).

SPMU ,Orissa

1. Water Resources Department
2. Orissa State Pollution Control Board
3. Orissa State Disaster Management Authority (OSDMA)
4. Department of Forest & Environment (Wild life)
5. Fisheries Department
6. Culture Department
7. Industries Department
8. Chilka Development Authority (CDA)
9. Department of Housing and Urban Development
10. Tourism Department

SPMU ,West Bengal

1. Digha Shankarpur Development Authority
2. Forest Department,
3. Irrigation Department
4. Institute of Environmental Studies and Wetland Management
5. Public Health Engineering Directorate (WB)
6. Sunderban Development Board
7. University of Calcutta
8. Fisheries Department
9. West Bengal State Electricity Distribution Company Ltd.
10. Zoological Survey of India

1.4 Under the project Consultancies, Works and Goods will be procured .The NPMU/SPMU, Implementing Agencies and the community will be responsible for procurement such as goods, works and consulting services for the implementation of the project.

1.5 The NPMU and SPMUs will be responsible for all procurement, financial management, quality assurance, monitoring and evaluations under the project. PEAs will be responsible only for contract management, regular supervision, and certification for payments. Exceptions to the above rule are the cases of community procurement, force accounts, and procurement of small incremental operating facilities through local shopping for which all responsibilities will lie with the PEAs.

1.6 NPMU and SPMU of each state shall prepare it's procurement plan . Procurement plan is essentially planning of what procurement of goods and works is to be carried out and at what time during the year. Separate procurement plan shall be prepared for Consultancies , Goods and Works .Procurement plan includes Goods /consultancies / 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.

1.7 All procurements in the project will have to be done as per the procurement plan .The procurement plan at the States will be executed by SPMU .At state level NPMU has no role in procurement except that all the prior review contracts will come to the Bank through NPMU. All procurement done outside the procurement plan will be ineligible for reimbursement from the bank .

1.8 The procurement will be strictly undertaken in accordance with the World Bank guidelines. All civil works, goods & services would be procured using Bank Standard Bidding Documents specifically agreed with GOI for different types of procurement.

2. SELECTION OF CONSULTANTS:-

2.1 Selection activity for all consultancies either required by PEAs or by NPMU/SPMU for their respective project components will be handled by NPMU/SPMU.

2.2 In case the consultancy services are required by the PEA , the TOR of the consultancies will be framed with the help of respective PEA's but the whole Selection process i.e. Advertisement, short listing, Proposal evaluation , award of contract etc will be carried out by the NPMU/SPMU although with technical assistance/help from respective PEA who will be requiring the services. However once consultancies are awarded , PEAs will be responsible for management and supervision of the consultancy contract to obtain the agreed outputs and recommend release of payments to be made by NPMU/SPMU. NPMU/SPMU will participate in the review of interim and final outputs and provide overall guidance to PEAs to management of consultancy contract .

2.3 The Bank's Consultancy Guidelines May, 2004 revised Oct -2006 will be applicable for Selection of all consultancies under the Project. The Bank's RFP will be used as a basis for procurement of all consultancies under the Project.

2.4 The methods for selection of Consultants of firms include the following and have been dealt in details in the subsequent chapters :

- *Quality and Cost Based Selection (QCBS);*
- *Quality Based Selection (QBS);*
- *Selection under a Fixed Budget (FBS);*
- *Least Cost Selection (LCS);*
- *Selection Based on Consultants Qualification (CQ);*
- *Single Source Selection (SSS);*

The choice of the appropriate method of selection is related to the nature, size, complexity and likely impact of the assignment, technical and financial considerations. The method of Selection for each consultancy shall be given in the procurement Plan and shall be deceided by NPMU/SPMU.

2.5 Proposal opening and evaluation committee

For Selection of each consultancy a proposal opening and evaluation committee shall be formed .The proposal opening and evaluation committee will have 3-5 members and will have fair representation of the PEA involved and would be headed by the additional Project Director of NPMU/SPMU or any other officer as designated by the additional Project Director. An outside technical expert where ever necessary will also be a member of the Evaluation committee. In case none of the PEA is involved in the consultancy assignment, no representation in the proposal opening and evaluation committee of any officer , of any PEA is necessary .

2.6 The proposal opening and evaluation committee will technically and commercially evaluate the proposals .The evaluations of the committee with recommendations will be placed before the Project Director. Negotiations if allowed will be done by Project director NPMU/SPMU.

2.7 At SPMU The Project Director will allot all consultancies upto Rs 1.5 Cr. Beyond Rs 1.5 Cr, the Project Director is empowered to award consultancy with the approval of Steering Committee.

2.8 At NPMU The Project Director will allot all consultancies upto Rs 1.5 Cr. Beyond Rs 1.5 Cr, the Project Director is empowered to award consultancy with the approval of Steering Committee.

Table 2.1:- Procurement power in case of procurement of Consultancy

S.no	Upto	Powers of
Procurement at SPMU		
1	*Upto Rs*1. 5*Cr*	*Project Director ,SPMU*
2	*Beyond Rs* 1.5*Cr*	*Project Director, SPMU will be empowered to award the contract with the approval of Empowered Committee*
Procurement at NPMU		
1	*Upto Rs* 1.5*Cr*	*Project Director ,NPMU*
2	*Beyond Rs* 1.5*Cr*	*Project Director, NPMU will be empowered to award the contract with the approval of Empowered Committee*

2.9 ***Thresholds for International Consultants****:*-The short list of consultancies estimated to cost US$ 500,000 or less may comprise entirely national level consultants.

2.10 Thresholds for Prior review by the bank

- Prior review of the procurement process is necessary for the following (shall be as per the legal agreement):

- : First contract of any value from MOEF and each participating state and subsequent contract valued over $ 100,000 equivalent for firms including NGOs and above US $ 50,000 equivalent for individuals; all contracts to be awarded on Sole Source Selection basis will be subject to prior review. Additionally prior clearance for Terms of Reference (ToR) and in-principle clearance for such contracts, irrespective of value will be required from the bank for following this method.

Prior review would be at every stage as follows:

- Terms of Reference;
- Short Listing;
- RFP document containing letter of Invitation, Information to Consultant and Conditions of Contract;
- Evaluation report of the technical proposals;
- Negotiated Draft Contract; and
- Final contract (to be accompanied by check list)

2.11 Responsibility Matrix :-

In case the consultancy assignment is for PEA , the sharing of the responsibility by NPMU/SPMU and PEA for conducting various tasks of the procurement process are summarized in the table 2.2

Table 2.2:- Responsibility matrix –For consultancy required by PEA

S.no	Activities	Para reference	Organizational Entity	
			NPMU/SPMU	PEA
1	Assessment of requirement		**S**	**P**
2	Deciding on the Mode of Selection	2.4	**P**	
3	Preparation of TOR/RFP	2.2	**S**	**P**
4	Advertisement for short listing	2.2	**P**	
5	Short listing of consultants	2.5	**P**	**S**
6	Receipt of technical and financial proposal	2.5	**P**	
7	Evaluation of Proposals	2.6	**P**	**S**
8	Negotiations	2.6	**P**	
9	Award of consultancy	2.7/2.8	**P**	
9	Signing of contract	2.7/2.8	**P**	
10	Approval of the Payments	2.2		**P**
11	Supervision of the consultancy contract	2.2		**P**
12	Release of the Payment to the consultants	2.2	**P**	

- P --- Primary responsibility
- S--- Secondary responsibility

In case PEA is not involved then SPMU/NPMU will be solely responsible for the all the activities mentioned in the above table.

2.12 ***Method of procurement to be adopted*** **:** The following methods of selection will be adopted depending upon size and complexity of assignment, as defined in the Consultancy Guidelines:

Category	Method of Procurement	Threshold (US$ Equivalent)
Consultants' Services	CQS/LCS	Up to 100,000 per contract
	SSS	Up to 50,000 per contract (single source selection method in case of firms following Clause 3.9 to 3.13 of the Consultancy Guidelines) wherever agreed and with prior agreement with the Bank
	Individuals	Up to 50,000 per contract (as per para 5.2 to 5.4 of Guidelines)
	Use of NGO	As per para 3.16 of Guidelines
	QCBS (i) International shortlist (ii) Shortlist may comprise national consultants only	QCBS (or QBS/FBS if agreed with BANK) for all other cases >500,000 Up to 500,000

3. PROCUREMENT FOR GOODS AND WORKS

3.1 The Bank's procurement Guidelines May, 2004 revised OCT -2006 will be applicable for procurement of all goods and Works under the Project. The Bank's bidding documents as listed in this document will be used as basis for all procurement of goods and works under the Project.

3.2 The mode of procurement that may be followed include the following and have been dealt in details in the subsequent chapters :

- *International Competitive Bidding (ICB).*
- *Limited International Bidding (LIB)*
- *National Competitive Bidding (NCB).*
- *National Shopping(NS).*
- *Direct Contracting.*

3.3 Major goods and equipment to be procured under this project would include procurement of variety of Laboratory equipments, marine research vehicle, small boats, deep suction machine, generators, floating photogrammetric workstations, office equipment, furniture, etc. Most of the laboratory equipment are sophisticated, high value and shall be carried out following ICB /LIB/ NCB procedures depending on the value of the contract. Office equipment, computers and furniture would be procured adopting DGS&D rate contract or shopping method.

3.4 ***Procurement of Goods and Civil Works by NPMU/SPMU***

The NPMU and SPMUs will be responsible for all procurement, financial management, quality assurance, monitoring and evaluations under the project. PEAs will be responsible only for contract management, regular supervision, and certification for payments. Exceptions to the above rule are the cases of community procurement, force accounts, and procurement of small works and goods through local shopping for which all responsibilities will lie with the PEAs. Document for all these small procurements have to be approved by the SPMU.The process to be followed for procurement by NPMU/SPMU is as under

- ***Administrative Approval :-***, Administrative approval of all procurement will be taken from the Project Director, NPMU/SPMU. In case the requirement of works and Goods

is by PEA , the administrative approval from PD will be obtained by the respective PEA. If there is deviation in the DPR's prepared by PEA at the time of project preparation , technical approvals will be taken as per the current practice of the PEA.

- ***Preparation of Bid document***:- In case Goods and works are required by the PEA , the Bid Documents of the consultancies will be prepared by NPMU/SPMU with the help of respective PEA's. A bid preparation committee of 3-5 members shall be formed at NPMU/SPMU by the Additional Project director which will have members NPMU/SPMU and respective PEA. The Bid preparation committee will have adequate representation of the PEA who will be responsible for contributing with the technical details in preparation of the bid document. It will have representation of procurement staff of NPMU/SPMU who will have adequate knowledge of World Bank procurement guidelines. The procurement staff at NPMU/SPMU will take a lead role in preparation of the Bids. Representation of PEA in Bid preparation committee is not required in case the goods and Works to be procured are for SPMU/NPMU .

- ***Advertisement :-***After the preparation of the bid documents by the NPMU/SPMU advertisement shall be made by NPMU/SPMU .

- ***Receipt of Bids :-***The bids shall be received at the office of NPMU/SPMU or any other place decided by the Additional Project Director . For procurement of each good and works a bid opening and evaluation committee shall be formed .The bid opening and evaluation committee will have 3-5 members and will have fair representation of the PEA involved and would be headed by the additional Project Director of NPMU/SPMU or any other officer as designated by the additional Project Director. An outside technical expert where ever necessary will also be a member of the Evaluation committee. In case none of the PEA is involved in the procurement , no representation in the bid opening and evaluation committee of any officer , of any PEA is necessary .

- ***Evaluation :-*** The bid opening and evaluation committee will technically and commercially evaluate the proposals .The evaluations of the committee with recommendations will be placed before the Project Director.

- ***Award :-***Once the sanction is given, the contract for the procurement of goods/works will be awarded by the NPMU/SPMU .

- ***Contract Administration and Payments :-***The contract will be awarded by the NPMU/SPMU and all payments shall be made by NPM/SPMU. The contracts shall be monitored by NPMU/SPMU. However in case where the procurement is done on behalf of PEA , PEAs will be responsible for management and supervision of the contract to obtain the agreed outputs and recommend release of payments to be made by NPMU/SPMU. NPMU/SPMU will participate in the review of interim and final outputs and provide overall guidance to PEAs to management of contract .

3.5 *Procurement of Goods and Civil Works by PEA*

All major procurements in the project will be handled at the NPMU/SPMU. All community procurement, force accounts, and procurement of small works and goods through local shopping shall be done by PEA's .Document for all these small procurements have to be approved by the SPMU .Following steps are to be followed at the time of procurement of Goods and civil works by PEA:-

- ***Administrative Approval :-***For all procurement by PEA, administrative approval will be taken from the Project Director, NPMU/SPMU. If there is deviation in the DPR's prepared at the time of project preparation technical approvals will be taken as per the current practice of the PEA.

- ***Preparation of Bid document***:- Since the Capacities of the PEA in following World Bank Procurement guidelines is not adequate a bid preparation committee of 3-5 members shall be formed PEA by the Nodal officer which will have representation of procurement staff of NPMU/SPMU who will have adequate knowledge of World Bank procurement guidelines .The member of NPMU/SPMU will be responsible for overseeing that all the World Bank procurement guidelines are followed .These bid documents for all these small procurements have to be approved by the SPMU.

- ***Advertisement:-***After the preparation of the bid, the same will be advertised by the Nodal officer of PEA .

- ***Receipt of Proposal :-***All proposals will be received at office of Nodal Officer PEA by the bid receipt and evaluation committee formed for the purpose to see that the World Bank procurement process are followed .The bid receipt and evaluation committee will have 3-5 members will be formed by the project director and will be adequately represented by SPMU/NPMU.

- ***Evaluation :-***The evaluation report will be prepared by the committee and the evaluation with recommendation will be placed before the officer authorized to procure as per the powers in the project.

- ***Award :***Once the approval is given, the contract will be awarded and signed by Nodal officer of the PEA.

- ***Contract Administration and Payments :-***The contract will be awarded and monitored by the PEA .All payments shall also be made by PEA .

4. POWERS OF TENDER AWARD

The powers of the procurement of Goods and civil works are as under :-

Table 2.2:- Procurement power in case of procurement of Civil Works /Goods

S.no	Particular	Upto	Powers of
A	**Procurement of Civil Works by PEA**		
	1	*Upto USD 30000*	*Head of the Concerned PEA*
	2	*USD 30,000 to USD 5 Million*	*Project Director of SPMU/NPMU*

	3	*Beyond USD 5 Million*	*Project Director, SPMU/NPMU will be empowered to award the contract with the approval of Empowered Committee*
B	**Procurement of Goods by PEA**		
	1	*Upto USD 20000*	*Head of the Concerned PEA*
	2	*USD 20,000 to USD 5 Million*	*Project Director of SPMU/NPMU*
	3	*Beyond USD 5 Million*	*Project Director, SPMU/NPMU will be empowered to award the contract with the approval of Empowered Committee*
C	**Procurement of Goods /Civil Works by NPMU/SPMU**		
	1	*Upto USD 5 Million*	*All the powers for the acceptance will be with Project Director of NPMU/SPMU, he may further delegate the powers as per requirement as and when required.*
	2	*Beyond USD 5 Million*	*Project Director ,NPMU/SPMU will be empowered to award the contract with the approval of Empowered Committee*

Wherever tender value is more than the BID value, tender will be sent to the next higher level with justification for approval.

5. Responsibility Matrix :-

In case the procurement of goods and civil works is for PEA , the sharing of the responsibility by NPMU/SPMU and PEA for conducting various tasks of the procurement process are summarized in the table 2.3

Table 2.3:- Responsibility matrix - For Goods and Civil works for PEA by MPNU/SPMU

S.no	Activities	In case the procurement is by NPMU/SPMU for PEA		In case the procurement is by PEA	
		Organizational Entity		Organizational Entity	
		NPMU/SPMU	PEA	NPMU/SPMU	PEA
1	Assessment of requirement		**P**		**P**
2	Preparation of technical specification		**P**		**P**
3	Deciding on the Mode of Procurement	**P**			**P**
4	Preparation of Bid documents	**P**	**S**		**P**
5	Advertisement	**P**			**P**

		In case the procurement is by NPMU/SPMU for PEA		In case the procurement is by PEA	
		Organizational Entity		Organizational Entity	
6	Sale of Bid documents	**P**			**P**
7	Receipt of Bids	**P**			**P**
8	Evaluation of bids	**P**	**S**		**P**
9	Sanction of award	**As per powers**		**As per powers**	
10	Award of contract	**P**			**P**
11	Signing of contract	**P**			**P**
12	Supervision of the contract	**S**	**P**		**P**
13	Recommendation for release of Payment		**p**		**P**
14	Release of the Payment to the Vendor	**p**			**P**
15	Prior review approvals and NOC from the Bank	**P**		**P**	**S**

6. THRESHOLDS FOR PROCUREMENT METHOD

The following tables give the thresholds for Procurement Method for Civil Works and Goods

Table 2.4:- Thresholds For Procurement Methods -Civil Works

Expenditure Category	Value* (threshold) per contract	Procurement Method
Civil Works and Supply and Installation	a) Civil works estimated to cost more than US$ 1.0 million equivalent b) Civil works estimated to cost more than US$ 30,000 and less than or equal to US$ 1.0 million equivalent c) Civil works estimated to cost the equivalent of US$ 30,000 or less	**International Competitive Bidding (ICB)** **National Competitive Bidding (NCB)** **Shopping**

Table 2.5:- Thresholds For Procurement Methods -Goods

Procurement of Goods	Value* (threshold) per contract	Procurement Method

Procurement of Goods	Value* (threshold) per contract	Procurement Method
Goods/ Equipment/ Machines	Contracts estimated to cost more than US$ 2,00,000/- equivalent	**International Competitive Bidding (ICB)**
	Contracts estimated to cost more than US$ 20,000 and <= US$ 2,00,000/- equivalent	**National Competitive Bidding (NCB)**
	Contracts estimated to cost less than or equal to US$ 20,000 equivalent	**Shopping**

NOTE :- The thresholds limits are tentative and may change

7. BIDDING DOCUMENTS TO BE USED

The Standard Bidding documents of the Bank as agreed with GoI task force (and as amended from time to time) for all procurement under NCB will be used. For ICB/ LIB contracts ***only*** Bank's Standard Bidding Documents (SBDs) will used and will follow the Bank's Procurement Guidelines, May 2004 revised October 2006.Following bidding documents will be used for procurement of goods and works :-

S.no	Particulars	Document to be used
1	Contract for works valued less than equivalent of US$ 30,000/- each:- under NS procedures.	**W5**
2	Contract for works beyond US$ 30,000/- and upto US$ 100000 /- under NCB procedures	**W1**
3	Contract for works beyond US$ 100000/- under NCB procedures upto 1 Billion	**W2**
4	Contract for works beyond USD 1 Billion	**ICB SBD**
5	Contract for goods valued less than equivalent of US$ 20,000/- following NS procedures	**E5**
6	Contract for goods beyond US$ 20,000/- and upto US$ 200000/- following NCB procedures.	**E1**
7	Contract for goods following ICB procedures	**E6**

8. THRESHOLDS FOR PRIOR REVIEW BY THE BANK

In case of Civil Works and Goods the following contracts shall be subject to prior review by the Bank .

- All ICB contracts, if any and the first NCB contract of works and goods from MOEF and each participating state and subsequent contracts above US $ 500,000 for works and US $ 100,000 and above for goods; and all contracts exceeding US $ 500 awarded on Direct Contracting method, if not part of an agreed procurement plan, will be subject to prior review by the Bank.

Prior Review consists of review of:

- Invitation of bids
- Bidding documents
- Minutes of Pre Bid conference

- Bid Evaluation Report Final contract (s) with check list

9. PROCUREMENT STAFF AND THEIR CAPACITIES

In the procurement process there is a substantial involvement of the procurement staff of NPMU/SPMU . Hence the strength of the procurement staff at SPMU will be 2 who will be adequately trained in Bank's procurement procedures as and when required at Administrative Staff College of India (ASCI),Hyderabad; National Institute of Finance Management, New Delhi; and ILO, Turin.

10. FORCE ACCOUNT:

Force account, that is, construction by the use of the Project Implementing Agencies own personnel and equipment, may be the only practical method for constructing some kinds of works. "Force account" is otherwise known as "direct labour," "departmental forces," or "direct work." A government-owned construction unit that is not managerially and financially autonomous shall also be considered a force account unit. The use of force account may be justified where :

(a) Quantities of work involved cannot be defined in advance;
(b) Works are small and scattered or in remote locations for which qualified construction
firms are unlikely to bid at reasonable prices;
(c) Work is required to be carried out without disrupting ongoing operations;
(d) Risks of unavoidable work interruption are better borne by the PIAs than by a Contractor;
and
(e) There are emergencies needing prompt attention.

The following works will be executed by the departments using Force Account

Gujrat

- ***MNP :*** Plantation of Mangroves in the State of Gujrat by MNP on islands where there is no habitation.

Orissa

- ***Department of Archeology-*** For Conservation & Promotion of monuments & heritage sites , Structural Conservation and Chemical Conservation will be done by the department them selves .Land scaping and Illumination will be contracted out

- ***Forest & Environment Department – Eco Tourism :- Th***e following works will be done through the fore account :-

  - *Dredging of Baunsagarh creek (from Krushnapriyapur to Chinchiri)*
  - *Digging of channels for easy approach for landing of boats for ecotourism purpose*
  - *Construction of eco-tourism at Rajhans*
  - *Refurbishing and renovating existing forest department camp infrastructure at 5 other sites along the Chilika coast, refurbishing the rooms and the kitchen, provision of running water with bore well, solar room lighting*

- *Transit sheds in between Pitisal to Patisonapur along the coast (8 nos. at Pitisal, Prayagi, Gokharakuda, Arjyapali, Gopalpur, Markundi, Bahuda and Patisonapur) at strategic locations.*
- *Tracking Path and Erection of signages etc. along the track from Pitisal to Patisonapur along with sit outs*
- *Watch and Ward at Gahirmatha Marine Sanctuary*

- *Drinking Water Facilities (Digging of deep tube wells) and water supply arrangements at Gahirmatha Marine Sanctuary*
- *Drinking Water Facilities (Digging of deep tube wells) and water supply arrangements at Bhitarkanika Sanctuary*

West Bengal

- ***Forest Department:-*** All plantation and JFM Support activities undertaken for Forestation program towards coastal protection will be done through Force Account

11. PROCUREMENT BY THE COMMUNITY

In addition to the procurement to be under taken by PEAs and SPMU, there is a small community driven procurement for Entry point activities, livelihood activities and Plantation . For community works, it is proposed that

- In case of mangroves plantation:- The community will undertake the work them selves
- In case of Entry Point Activity:- The communities can undertake the works themselves or invite a minimum of three quotations from the qualified contractors.

Before the funds are released to the community an MOU will be signed between implementing agencies and communities to undertake works.
The proposed procedures for community driven procurement for works and goods are as follows:

- Shopping procedures for civil works for entry point and lively hood development activities
- Shopping procedures for purchase of goods required for plantation activity

12. OTHER ARRANGEMENTS

1. The following conditions must be met in order for the bidding process under NCB to be acceptable to the Bank:

- Only the model bidding documents for NCB agreed with the GOI Task Force [and as amended from time to time], shall be used for bidding;
- Invitations to bid shall be advertised in at least one widely circulated national daily newspaper, at least 30 days prior to the deadline for the submission of bids;
- No special preference will be accorded to any bidder either for price or for other terms and conditions when competing with foreign bidders, state-owned enterprises, small-scale enterprises or enterprises from any given State;
- Except with the prior concurrence of the Bank, there shall be no negotiation of price with the bidders, even with the lowest evaluated bidder;
- Extension of bid validity shall not be allowed without the prior concurrence of the Bank (a) for the first request for extension if it is longer than four weeks; and (b) for all subsequent requests for extension irrespective of the period (such concurrence will be

considered by Bank only in cases of *Force Majeure* and circumstances beyond the control of the Purchaser / Employer);

- Re-bidding shall not be carried out without the prior concurrence of the Bank. The system of rejecting bids outside a pre-determined margin or "bracket" of prices shall not be used in the project;
- Rate contracts entered into by Directorate General of Supplies & Disposals will not be acceptable as a substitute for NCB procedures. Such contracts will be acceptable however for any procurement under Shopping procedures;
- Two or three envelop system will not be used.

13. **POST REVIEW***:* All contracts not covered under prior review will be subject to post award review/ review during supervision missions/ review by consultants to be appointed by the by Bank.

14. PROCUREMENT MONITORING SYSTEM

As a part of the PMS, each PEA shall maintain the following two registers recording the pre-award and post-award stages:

(1) **Tender/ Proposal Register**- to monitor the various stages of the tender process the award of the contract. This register shall have separate folio for each tender and proposal and shall contain the estimated and actual dates of performing various stages of tender/ proposal. (Refer Annexure 1 and 2 for goods a works and consultants respectively)

(2) **Contract Register**- to monitor the status of each contract with respect to contracted value, amount invoiced and amount paid till the completion of the contract. (Refer Annexure 3 and 4 for goods and work and consultants respectively)

The contract details shall be captured from the tender/ proposal register and actual payment details shall be captured from the Cash Books.

These registers shall form the basis for preparation of procurement management reports discussed later in this section.

- **Revision of the estimated dates**

The dates for the pre award and post award activities shall be projected at the time the preparation of the procurement plan. However during the process of the actual award c the contract, the activities may get delayed. This delay in the activities may necessitate the revision of the original dates. The revised dates would be entered in the tender /propose register.

- **Procurement Management Reports (FMRs)**

The end of each quarter, the PEA shall generate the FMRs. The basic source for generating the FMRs shall be tender /proposal register and the contract register maintained at the PEA . The PEA shall forward a copy of FMRs to NPMU/SPMU for consolidation.The reports that shall be prepared for monitoring the procurement are as follows:

- Procurement Management Report-Goods and Services works and consultancies for contracts below the prior review threshold and above threshold limit of USD _____ equivalent (Refer Annexure 5)

- Procurement Management Report – Comparison of Financial figures as per plan, PAD and Actuals. (Refer Annexure 6)

CHAPTER 1V
PROCUREMENT OF GOODS AND WORKS

4.1 PROCUREMENT PLAN

- 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.

- Separate procurement plan shall be prepared for Consultancies , Goods and Works .Procurement plan includes Goods /consultancies / 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.
- Procurement Planning and it's execution is therefore an integral part of project implementation and monitoring, which must be done and reviewed periodically to anchor the project over it's life.

- At state level each PEA will prepare there own contract wise annual procurement plan with assistance from SPMU. Procurement plans of each PEA will then be consolidated and approved at the State level by SPMU. Similarly, SPMU will prepare its procurement plan for services to be hired.

- At National Level NPMU will also prepare annual procurement plan for works, goods, and services to be procured by them during the year

- Procurement plans prepared by SPMU and NPMU 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.

- The Procurement Plan has been prepared for the first 18 months of operation and include relevant information on all goods, works consulting services, training and capacity building to be undertaken under the Project as well as the scheduling of each milestone in the procurement process. The procurement plans shows the step-by-step procedures and processing times for procurement including: contract packages for goods, consultant services and training; estimated cost; procurement or consultant selection method; bidding, evaluation and contract award; the activities which follow contract signature such as manufacture, shipment, delivery and installation of goods; mobilization, construction and completion of works. The implementing agencies will update periodically the sub-component procurement plans and submit them to the PCU Project Procurement Specialist to consolidate in the master procurement plan. Any update – annual or periodic to the procurement plan must be approved by the Bank before implementation. Special training on Procurement Planning would be provided to all procurement focal persons at the Implementing Agencies to build their capacity to undertake this very important exercise.

4.2 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

I Award of contract
II Disclosure
III Quality Assurance
IV Notification of delivery to consignee and receipt of consignment
V Storage
VI Resolution of disputes, if any
VII Laws governing the contract
VIII Arbitration
IX Insurance
X Patent rights
XI Force Majeure
XII Complaint redressal mechanism
XIII Procurement audit
XIV Record keeping

4.3 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.

4.4 MODE OF PROCUREMENT

The methods of procurement to be followed are:

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

A) 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.This method is to be adopted where the estimated cost of the procurement of works is more than US$ 1,000,000/- equivalent for goods.

Steps to be followed are:

(i) 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.
(ii) Invitation for Bids shall also be published in UNDB, dgMarket and project website.
(iii) Use of standard bid documents of the World Bank.
(iv) Sale of bid documents should start only after publication of invitation for bids in newspapers and UNDB/ dgMarket.
(v) Bidding period shall be 45 to 90 days from the date of start of the sale of bid documents.
(vi) Domestic preference shall be allowed to domestic manufacturers/contractors with respect to foreign manufacturers/contractors as per procedure mentioned in the bid documents.
(vii) 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) National Competitive Bidding (NCB)

i) NCB 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) 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$ 30,000 for goods and works.

iii) Various steps involved in procurement under 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 less than 30000$ in case of Works and 20,000$ in case of goods . 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 previous chapter) 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.

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 previous chapter.

(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.

4.5 PREPARATION OF TENDER DOCUMENTS

3.5.1 For procurement to be carried out under this project,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
- 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

4.5.2 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.

4.5.3 The formats of Bidding Documents of World Bank which shall be used for the implementation of the project are given in chapter three .

4.6 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 bibs.

(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 vide enclosure 1 .

(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.

- 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.

4.7 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.

4.8 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.

4.9 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.

4.10 VALIDITY OF TENDERS/BIDS

In case of NCB/ICB a tender submitted by the bidder has to be valid for at least 90 days .In case where W9 bid document is used the validity period is 45 days In case of NS the bid validity period will be 45 days .

If the contract cannot be executed with this period , the bidder has to be requested to extend his validity period . Extension o f bid validity will not be allowed without prior concurrence of World Bank **(a)** For the first request for extension if it is longer than 4 weeks and; (b)For all subsequent requests for extension irrespective o f the period.
If extension of bid validity is required, it should be sought from all bidders before stipulated expiration date (for valid bids only) and not from the lowest alone and the Bank notified accordingly. The extension shall be for the minimum period required to complete the evaluation. In the case of fixed priced contracts, if the award is delayed beyond initial validity period of the initial bid validity, the contract price will be adjusted by a factor **(as also stipulated in the bid documents)** specified in the request for extension. The factor is based on the contry's projected inflation for the period in question .The department inserts the value in the bid document prior to issue .Banks prior concurrence is required if the extension is larger than 4 weeks beyond the original validity period.

4.11 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.

4.12 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. The meeting should be scheduled at about midpoint of bidding time.
- Minutes of meeting indicating the responses given in the meeting (including an explanation of query but without identifying the source of inquiry) shall be furnished expeditiously to all those attending the meeting and subsequently to all the purchases of bidding documents, after getting the same cleared with the Bank. Any modification of the bidding documents which may become necessary as a result of the prebid meeting shall be made exclusively through issuance of corrigendum (after getting the same cleared with the Bank) and not through the minutes of the prebid meeting.

- Pre-bid conference should be arranged only in cases where it is considered necessary. It should not be called by the PEA as a matter of routine. In case where ICB procurement method is followed Pre bid meeting is mandatory .In case where NCB procurement method is followed pre bid meeting is Required only where W2 bid document is used .

4.13 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.

3.14 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 PEA and of the supplier or contractor, and the functions and authority of the engineer, architect, or construction manager, (if one is employed by the PEA) 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.

4.15 ISSUE AND SUBMISSION 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. 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.
Bidders shall be permitted to deposit their bids on any day during the bidding period either by post or in person. Bids shall be received only at one place (i.e. by the authority inviting the Bids) and shall be kept in safe custody till the stipulated time of opening.

4.16 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.Last date of receipt of bids and opening of Bids shall be the next day, following the close of sale of Bidding Documents. If the day happens to be a holiday, the last date of receipt and opening of bids shall be the next working day. The time of opening of bids shall be half an hour after the time of closure of receipt of bids.

ii) All bids received shall be opened in presence of bidder's representatives who choose to attend and shall sign a register evidencing their attendance.

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) Envelopes marked "WITHDRAWAL" shall be opened first, and the name of the bidder shall be read out. Bids for which acceptable notice of withdrawal has been submitted shall not be opened. Subsequently all envelopes marked

"MODIFICATION" shall be opened and submission therein read out in appropriate detail.

v) The bidder's names, bid prices including any alternative Bid Price or deviations, discounts, bid modification and withdrawals and the presence or absence of bid security and such other details as considered appropriate shall be announced during opening of bids in the meeting. All cuttings and /over writings observed in the Bid Form and Price schedules shall be authenticated by the members of Bid Opening Committee by encircling and initialing the cuttings/ over –writings.

vi) No bid shall be rejected at bid opening, except for late bids, which shall be returned unopened to the bidder.

vii) Bids and modifications that are not opened and read out at bid opening shall not be considered further for evaluation, irrespective of the circumstances.

viii) Spot comparative statement (minutes of bid opening) must be prepared by the bid/ tender opening official and should be signed. Sample format of minutes of the bid opening committee is enclosed vide enclosure II

4.17 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.

4.18 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).

4.19 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.

h. Suggested format for preparation of bid evaluation report is enclosed vide enclosure III and IV.

i. No preferential treatment should be given to any bidder or class of bidders either for price or for condition unless specifically cleared with the Bank and stipulated in the Project Agreement. Any procedure under which bids above or below a pre–determined assessment of bid values are automatically disqualified, is not applicable.

j. The evaluation will exclude and not take into account any allowance for price adjustment during the period of execution of the contract.

k. A bidder should not be required as a condition of award to undertake responsibilities for work not stipulated in the specifications or otherwise to modify his bid.

4.20 NEGOTIATIONS

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

4.21 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.

4.22 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.

4.23 REBIDDING

Rebidding can happen in following cases:-

- Bids are not received
- Bids are to be rejected

  In case Regardless of the value , if all the bids are proposed to be rejected and re-invited, the bank shall be consultated before such action is taken by sending the information in the prescribed format for seeking banks clearance**.** Before rejecting the bids , the IA will first have to

- update the estimates as per the current market rates for labour and materials (cement/ steel etc.), actual leads of materials and construction methodology proposed now.
- After updation he has to identify the item or items and factors which contributed to the major variation over the updated estimates and
- then seek a clarification including breakdowns of unit for the items and factors so identified.

  After receiving the reply he has to evaluate and based on his judgment reject if price is unjustified

In case no bids are received , the Project Director is competent to approve the re invitation of the bids . The approval will be subject to bid inviting officer proposing a request giving the reason for lack of response and proposed remedial measures including any revision to the scope of the contract etc .

The the recommendation of the IA will be send to the bank with in 2 weeks from communication of recommendation to the bid inviting officer .

4.24 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.

4.25 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.

4.26 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.

4.27 PRICE ADJUSTMENT

1. Bidding documents shall state either (i) bid price will be fixed; or (ii) that price adjustment will be made to reflect any charges (upwards or downwards) in major cost components of the contract such as materials, labour, POL(fuel & lubricants), plant and machinery spares .
2. Bid adjustment clause shall be provided when the estimated value of work exceeds Rs. US$ 1 Million and period of completion of works or supply of goods is more than 18 months. The total percentage of materials, labour, POL (fuel & lubricants), plant and machinery spares .components should be equal to "100", in the formula.

3. When the total estimated value of contract does not exceed US$ 1 Million and stipulated period of completion of works or supply of goods is less than 18 months, prices quoted by the bidder shall be fixed during the bidders performance of the contract and not subject to variation on any account. In such cases, a bid submitted with an adjustable price quotation will be treated as non –responsive and rejected.
4. Price adjustment clause shall be provided when total value of contract exceeds US$ 1 Million and stipulated period of completion of works or supply of goods is more than 18 months. The total percentage of labour, materials and POL components shall be 100 in formula detailed in Enclosure V, if 'R' in the formula represents the work done. In such cases a bid submitted with a fixed price quotation will not be rejected, but price adjustment shall be treated as zero.
5. The contract price shall be adjusted for increase or decrease in the rates and price of labour, materials, fuels and lubricants in accordance with following principles and procedures and as per formula given in the Enclosure V.
6.
   - The price adjustment shall apply for the works done from the start date given in the contract data upto the end of initial intended completion date or extension granted by the Engineer and shall not apply to the work carried out beyond the stipulated time for reasons attributable to the contractor.
   - The price adjustment shall be determined during each quarter from the formula given in the Enclosure V.
   - Following expression of meanings are assigned to the work done during each quarter.

     R = Total value of work done during the quarter. It would include the amount of secured advance for materials paid for (if any) during the quarter, less the amount of the secured advance recovered, during the quarter. It shall exclude value of works executed under variation for which price adjustment shall be worked separately based on the terms mutually agreed.
7. To the extent that full compensation for any rise or fall in costs to the contractor is not covered by the provision of formula vide Enclosure V or other clauses of the contract, the unit rates and prices included in the contract shall be deemed to include amounts to cover the contingency of such other rise or fall in costs.

4.28 SUBCONTRACTING IN CIVIL WORKS

1. All bidders are required to indicate clearly in the bids, if they propose sub contracting elements of works amounting to more than 20 (twenty) percent of the Bid Price. For each such proposal the qualification and experience of the identified sub –contractor in relevant field shall be furnished alongwith the bid to enable the Employer to satisfy himself about their qualification before agreeing for such sub contracting and inclusion in the contract.
2. The contractor shall not be required to obtain any consent of the Employer in respect of following in the event of having furnished information under para 1 above:
   (a) the sub contracting any part of works for which the Sub Contractor is named in the contract;
   (b) the provision of labour; and
   (c) The purchase of materials which are made in accordance with the standards specified in the contract.
3. Beyond above, if the Contractor proposes sub contracting of any part of work during execution of works, because of unforeseen circumstances to enable him to complete the work as per terms of the contract, the following principles shall be followed by the Engineer before agreeing to the proposal of contract;

   - The contractor shall not sub-contract the whole of the works.

- The contractor shall not sub-contract any part of the work without the consent of the engineer.
- The Engineer shall satisfy:

(a) whether circumstances warrant such sub-contracting, and

(b) the sub–contractor so proposed possess the necessary experience, qualification and equipment for the job proposed to be entrusted to him in accordance with the quantum of work to be sub contracted.

(c) Any consent by the Engineer shall not relieve the contractor from any liability or obligation under the contractor, and he shall be responsible for the acts, defaults and neglects of his sub contractor, his agents or workmen as fully as if they were the acts, defaults or neglects of the contractor, his agents or workmen. This should be clarified to the contractor while conveying the acceptance of sub-contract.

4. If payments are proposed to be made directly to the sub–contractor, this should be agreed only subject to specific authorization by the prime contractor so that this arrangement does not alter the contractor's obligations.

4.29 BILL OF QUANTIITES (BOQ)

1. Bill of quantities format shall include description of items (with brief specification and reference to Book of Specification where applicable), quantity, unit, rate (both in figures and words) and amount.
2. Unit rates and prices shall be quoted by the Bidder in Indian Rupees. Amount shall be worked out for the specified quantity at quoted unit rate and price. Where there is a discrepancy between the rates in figures and words, the rates in words will govern. Where there is a discrepancy between the unit rate and the line item total resulting from multiplying the unit rate by quantity, the unit rate quoted shall govern.
3. Item for which no rate or price has been entered into by the Bidder will not be paid for by the Employer when executed and shall be deemed covered by the other rates and prices in the bill of quantities.
4. Bidders may quote speculative/ non-competitive prices for items with zero quantity in BOQ as this will not affect the bid evaluation. Hence no item with nil quantity shall be entered in the BOQ.

4.30 EXTENSION OF CONTRACT

Normally contract once awarded should not be extended. Under exceptional circumstances, extension of existing contracts upto 15 percent of the original contract value may be considered, it is justifiable on grounds, subject to approval of the competent authority as per delegation of powers and with the prior approval of the Bank .Format for seeking bnk's clearance is enclosed vide Enclosure 6

4.31 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:

(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;

(iii) "collusive practice" is an arrangement between two or more parties designed to achiece 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.

4.32 AWARD OF CONTRACT

- 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.

- 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.

4.33 DISCLOSURE

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.

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

4.34 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.

4.35 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.

4.36 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.

4.37 RESOLUTION OF DISPUTES

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.
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

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.

4.38 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.

4.39 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.

(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 ender is issued or such other place as the purchaser at his discretion may determine.

4.40 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.

4.41 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.

4.42 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.

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

In order to deal with the complaints from the contractors / suppliers and public effectively, a complaint handling mechanism shall be set up at the State level and immediate action shall 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. All complaints shall be handled at a level higher than that of the level at which the procurement process is being undertaken and the allegation made in the complaints should be thoroughly enquired into, and if found correct, appropriate remedial measures shall be taken by the appropriate authorities. A register of the complaint redressal shall be prepared at each level and shall contain the following information

- Serial Number of the complaints
- Date on which the complaint was made
- Particular of the person making the complaint
- Nature of the complaint
- Complaint against whom if against a person
- Detail of action taken and subsequent follow ups specifying on which date the action was taken
- Whether the complaint has been satisfied if not why.
- Action taken against the guilty
- General remarks

Subsequently an on line data base will be created which will be regularly updated and which would be capable of creating on line reports for the purpose of the

monitoring .The States will announce on its web site about having in place a complaint redressal mechanism
In case any individual officer/staff is found responsible, suitable disciplinary proceedings shall be initiated against such officer/staff .This register shall also be subject to audit by the chartered accountants engaged by the States as auditor's.
An appropriate response should also be sent to the complainant.

4.44 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.

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

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.

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.

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.

4. Procurement checklist for all contracts wether post review or prior review , goods or civil works are enclosed vide enclosure 7 to 10

4.46 RECORD KEEPING

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.

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.

CHAPTER V
SELECTION OF CONSULTANCY SERVICES

5.1 GENERAL

The expression "consulting services" defines services of an intellectual and advisory nature provided by the Consultants using their professional skills to study, design and organize specific projects, advise clients, conduct training and transfer knowledge. Consultants are engaged for the following reasons:

(i) Consultant offer more efficient allocation of resources by providing specialized services for limited amounts of time without any obligation of permanent employment on the part of Client.

(ii) Consultant, engaged for their superior knowledge, transfer skills and upgrade the knowledge base of their clients while executing the assignment. Knowledge transfer from Consultants to Client forms an important part of the assignment.

(iii) Consultants can offer independent advice to their client on the most suitable approaches, methodologies, and solution for their projects.
Consultant services in Bank funded projects should satisfy the following requirements :

- Meet the highest standards of quality and efficiency and
- Be unbiased, that is, delivered by a consultant acting independently from any affiliation, economic or otherwise, which may cause conflicts between the consultant's interest and those of the client;
  Independence may be the most important asset offered by Consultants. It allows consultants to choose technologies and products from a range of contractors and suppliers to satisfy the needs of the Clients and to protect its interests:

Consultancy services in Bank Projects may be grouped as under:

Preparation Services	Implementation Services	Advisory services
Sector studies	Tender documents	Policy and Strategy
Master plans	Procurement assistance	Re-organization/ Privatization
Feasibility studies	Construction supervision	Institutional building
Design studies	Project management Quality management	Training/ Knowledge transfer Management Advice
	Commissioning	Technical / Operating Advice

The Selection of consultants is guided by the following principles:

- High quality of services;
- Economy and efficiency;
- Competition among qualified consultants from all eligible countries;
- Participation of national consultants; and
- Transparency in the selection process

The SPMU/NPMU (Borrower/Employer) shall be responsible for selecting, evaluating and awarding the assignment

5.2 PROCEDURE

5.2.1 The steps involved in the selection of a Consultant for any consultancy services refer to:

- Preparation of Terms of References (TOR)
- Preparation of cost Estimate and Budget of the assignment
- Advertising for wide publicity **for seeking expression of interest (EOI)**
- Preparation of short listing of Consultants for the assignment
- Preparation and issue of the Request for Proposal (RFP) containing Letter of Invitation, Information to Consultants and Proposed Contract
- Receipt of Proposal from Consultants
- Evaluation of technical proposal: consideration of quality
- Evaluation of financial proposal: cost evaluation
- Final evaluation of quality and cost; and
- Negotiation and award of the contract to the selected firms;
- Publication of award on website and debriefing of unsuccessful consultants.

5.2.2 The Terms of Reference (TOR) should include:

- A precise statement of objectives;
- An outline of the task to be carried out;
- A schedule for completion of tasks;
- The support / inputs provided by the client i.e. SPMU/NPMU
- The final outputs that will be required of the consultant;
- Composition of Review Committee (not more than three numbers) to monitor the consultant's works and procedure for; and
- Mid term review and reports required from consultants;
- Review of the Final Draft Report.
- List of key professionals whose CV and experience would be evaluated.

5.2.3 The Cost Estimates or Budget should be based on SPMU/PEA/NPMU assessment of the resources needed to carry out the assignment; staff time; logistic support; and physical inputs e.g. vehicles and laboratory equipment. Cost shall be divided into two broad categories; (a) fee or remuneration and (b) reimbursables; and further divided into local and foreign currency.

5.2.4 Advertising seeking Expression of Interest (EOI)] for short listing shall be published in:

- UNDB (UNDB online dg Market)- for all contracts estimated to cost US$ 200,000 or more.
- National Newspapers
- International Newspapers and Technical Magazines where ever necessary.

4.2.5 Short Listing

SPMU/PEA/NPMU are responsible for preparation of the short list and give first consideration to those firms expressing interest which possess the relevant qualification.

The short list shall comprise of six firms with a wide geographic spread, with not more than two firms from any one country and alteast one firm from a developing

country, unless qualified firms from developing countries are not identifiable. The short list can comprise of entirely national consultants, if the value of assignment is less than US $ 5,00,000 however, if foreign firms have expressed interest, they shall not be excluded from consideration.

5.2.6 Government owned enterprises in India may participate only if they can establish that they:
- are legally and financially autonomous; and
- operate under commercial law

5.3 SELECTION METHODS

5.3.1 The methods for selection of Consultants include:

- Quality and Cost Based Selection (QCBS);
- Quality Based Selection (QBS);
- Selection under a Fixed Budget (FBS);
- Least Cost Selection (LCS);
- Selection Based on Consultants Qualification (CQ);
- Single Source Selection (SSS); and
- Commercial Practices (CP)
- Individual Consultant (IC)

The choice of the appropriate method of selection is related to the nature, size, and complexity, likely impact of the assignment, technical and financial considerations, and particular circumstances. It is therefore necessary to carefully define the assignment, particularly the objectives and scope of the services, before deciding on the selection method.

5.3.2 **Quality and Cost Based Selection (QCBS)**

(I) Quality and Cost Based Selection (QCBS) is method based on the quality of the proposals and cost of services to be provided. This method is appropriate when:

- the scope of work assignment is precisely defined and the TOR are well specified and clear; and
- an estimate with reasonable precision for the staff time as well as the other inputs and cost required of the Consultants can be assessed.

(II) The QCBS is appropriate for assignments such as:
- Feasibility studies and designs;
- Preparation of bidding documents and detailed designs;
- Supervision of construction of works and installation of equipment;
- Technical assistance services and institutional development of Client agencies; and
- Procurement and inspection services.

(III) Under QCBS the technical and financial proposals are submitted simultaneously in separate sealed envelopes (two-envelope systems). Evaluation of proposals is carried out in two stages: (1) quality; and (2) cost. The technical envelopes are opened by a Committee of officials of Client immediately after closing time for submission of proposal; the financial

proposals remain sealed and shall be deposited with reputable public auditor or independent authority until they are opened publicly

The financial envelopes of those consultants who submitted responsive technical proposals meeting the minimum qualifying mark are opened in the presence of the Consultants or their representatives. The combined evaluation is carried out by weighing and adding the quality and the cost scores, and the Consultant having the highest comprised score is invited for negotiations. Since price is a factor of selection, staff rates and other unit rates shall not be negotiated.

(IV) QCBS permits the Client to select a preferred trade-off between cost and quality and the benefit from prices competition, even if only to a limited extent. Transparency is increased under QCBS with public opening of the financial proposals. The contract negotiations will be easier because of the limited scope of financial negotiations.

5.3.3. **Quality Based Selection (QBS)**

(I) Quality Based Selection (QBS) is based on an evaluation of the quality of the proposals and the subsequent negotiation of the financial proposal and contract with the consultant who submitted the highest ranked technical proposal. QBS is appropriate if:

- the downstream impact of the assignment is so large that the quality of services becomes of overriding importance for the outcome of the project;
- the scope of work of the assignment and TOR are difficult to define and there is need to select among innovative solutions;
- the assignment can be carried out in substantially different ways such that cost proposal may not easily be comparable; and
- the introduction of cost as a factor of selection renders competition unfair.

(II) QBS should be adopted for assignment such as:

- Complex country sector and multi disciplinary investment studies.
- Strategic studies in new fields of policy and reforms
- Master plans, complex pre-feasibility and feasibility studies and design of complex projects.
- Assignments in which traditional consultants, non government organization (NGO) and /or a U.N. agencies compete

(III) Under QBS the Client may request submission of technical proposals only. After receiving the Bank no objection for the technical evaluation report, the Consultant with highest rendering technical proposal is invited to present its financial proposal. However, the Client may wish the financial proposals to be submitted at the same time as the technical proposals but in separate envelope (two-envelope system). In that case, financial proposals should be kept safely until the Bank's no-objection to the technical evaluation is received. Only the financial proposal of winning consultant is opened; the others returned un-opened after negotiations with the winning firm are successfully concluded.

(IV) The staff effort indicated by the consultant may differ considerably from the Client's estimate depending on the particular methodology adopted by the consultant. Since TOR of assignments under QBS are generally less defined

and relatively more complex than QCBS. Contract negotiations with the winning consultant may be lengthy and complicated.

5.3.4 **Selection under Fixed Budget (FBS)**

(I) Selection under a Fixed Budget (FBS) is based on disclosing the available budget to invited consultants in RFP and selecting the consultant with the highest – ranking technical proposal within the budget. It needs to be ensured that budget is compatible with the TOR and that consultant will be able to perform the tasks within the budget. FBS is appropriate only when:

- the budget is fixed and cannot be exceeded;
- the TOR are precisely defined; and
- the time and staff month effort required from the Consultant can be assessed with precision.

(II) To reduce the financial risk for consultant and to avoid receiving unacceptable technical proposals or no technical proposals at all, FBS must be used for well defined and simple assignments with a low financial risk for the consultants. Typical assignments awarded under FBS are:

- sector studies, market studies, and surveys of limited scope;
- simple pre-feasibility studies and review of existing feasibility studies;
- review of existing technical design and bidding documents; and
- project identification for which the level of detail can be matched with the available funds

(III) Under FBS, Consultants are requested to submit their technical and financial proposals in separate envelopes. Technical proposals are evaluated first, using same procedure as for QCBS and QBS, then the financial envelopes are opened in public. In case a proposal does not cover minor technical aspects included in the TOR, the Client calculates the evaluated price of that proposal by adding to the offered price the estimated cost of the missing activities or items. Proposals that exceed the indicated budget after adjustments and corrections are discarded. The Consultant, who has submitted the highest ranked technical proposal among the remaining proposals, is selected.

(IV) Since the budget is predetermined, the Consultants TOR cannot change substantially, and technical negotiations shall cover minor aspects. Financial negotiation will not include discussion of remuneration rates and of other unit rates, but only minor rearrangements of activities and staff compatibility with the plan of work and clarification of any tax liability.

5.3.5 **Least Cost Selection (LCS)**

(I) Under Least Cost Selection (LCS) a minimum qualifying mark for quality is established and indicated in the RFP, short-listed consultants have to submit their proposals in two envelopes. The technical proposals are opened first and evaluated. Proposals scoring less than minimum qualifying mark are rejected, and the financial envelopes of the rest are opened in public. The consultant with the lowest evaluated price is selected.

(II) The LCS method is more appropriate for small assignments of a standard or routine nature where well established practices and standards exist from which a specific and well defined outcome is expected, which can be executed at different costs, eg.

- Standard accounting audits
- Engineering designs and/ or supervision of simple projects.
- Repetitive operations and maintenance work and routine inspection, and
- Simple surveys

(III) Since quality is set as the minimum qualifying mark, the Client should not set such a mark higher than the usual (say at 75 to 80 per cent) to ensure quality and avoid the risk of selecting low-cost proposals of poor or marginally acceptable quality.

5.3.6 **Selection Based on Consultant's Qualification (CQ)**

(I) The Selection Based on Consultant's Qualification (CQ) method applies to very small assignments for which the full –fledged selection process would not be justified. CQ is considered for assignments such as:

- brief evaluation studies at critical decision points of projects;
- executive assessment of strategic plans;
- high level, short term, legal –expertise; and
- participation in project review expert panel.

(II) Under CQ the Clients first prepare the TOR, then requests for Expression of Interest and qualification information on the consultant's experience and competence relevant to the assignment. The Client establishes a short list and selects the firm with the best qualifications and references. The selected firm is asked to submit a combined technical and financial proposal and is then invited to negotiate the contract if the technical proposal proves acceptable.

(III) The CQ method aims at reducing the cost and time needed to hire a Consultant.

5.3.7 **Single Source Selection (SSS)**

(I) Under Single Source Selection (SSS) the Client asks a specific consultant to prepare technical and financial proposals, which are then negotiated. Since there is no competition, this method is acceptable to the Bank only in exceptional cases and made on the basis of strong and convincing justification where it offers clear advantages over the competition. This is because:

- the assignment represents a natural or direct continuation of a previous one awarded competitively, and performance of the incumbent consultant has been satisfactory.
- a quick selection of consultant is essential e.g. in emergency operation and financial crisis ; or
- the contract is very small in value; or
- only one consulting organization has the qualification or experience of exceptional worth to carry out the assignment.

(II) If continuity of downstream work by retaining an incumbent consultant for a down stream assignment is essential to the project and is in the interest of the Client, the RFP for the original assignment should indicate this likelihood. Satisfactory performance in the first assignment has to be a pre-condition for continuation. In these cases, the client should balance the importance of continuing with the same technical approach, the experience acquired and the

continued professional liability of the incumbent against the benefits of renewed competition such as fresh technical approaches and competitive remuneration rates.

(III) Once the Bank agrees to an SSS on a combination, the Client should ask the consultant to prepare technical and financial proposals on the basis of TOR prepared by the Client or by an independent advisor with no relation to the incumbent. This is the basis for negotiating a continuation contract.

5.4 SCOPE OF WORK

5.4.1 In a TOR, scope of work of the assignment is usually defined by addressing the following issues:

- definition, scope, limits, and criteria of acceptance of assignment;
- desired level of detail (level of design, accuracy, composition of cost estimate etc.)
- span of projections (time horizon, life span of project components, and so forth);
- necessary comparison of the assignment with similar projects;
- main issues to be addressed;
- alternatives to be considered;
- necessary surveys, special analysis, and models;
- special equipment requirement;
- institutional and legal framework of the project;
- transfer of knowledge, objectives and scope;
- language requirement;
- need of continuity, such as data gathering, and
- quality management requirements.

5.4.2 Phased assignments are likely to require that the scope of work be modified depending on intermediate results. For instance, the scope of work for a feasibility study originally covering a number of alternatives will be reduced if, during execution of the assignment, some alternatives prove more viable. Similarly, the scope of work can be expanded if more accurate studies than initially anticipated become necessary. In such cases, the TOR should clearly indicate the circumstances under which a decision will be made by the Client to modify the scope of work.

5.5 ESTIMATING COST & BUDGET

5.5.1 In preparation of cost estimate, the following expenses are added:

- Consultant staff remuneration;
- Travel and transport;
- Mobilization and demobilizations;
- Staff allowances;
- Communication;
- Office rent, supplies, equipment and insurance;
- Surveys and training programs;
- Report printing;
- Taxes and duties; and
- Contingencies.

5.5.2 The cost estimate is based on an estimate of the personnel (expert per month) required for carrying out the services, taking into account the time required by each expert needed, and then making estimate for each of the related cost components. It is important to define these inputs as accurately as possible.

5.6 EVALUATION

5.6.1 The evaluation of the technical proposals should be done as per criteria specified in the Letter of Invitation/RFP. The following criteria are used as a basis for evaluation of technical proposals:

- Specific experience of the consultant relevant to the assignment;
- Adequacy of the proposed methodology and work plan in responding to the TOR; and
- Key staff's qualification and competence for the assignment. Depending on the particular objectives of the assignment, two additional criteria may be required:
- Suitability of the transfer of knowledge program (training); and
- Participation of nationals among proposed key staff.

5.6.2 Table below shows a range of points that may be allocated to each criterion on a scale of 1 to 100. The weights may be adjusted for specific circumstances.

Table: Point Distribution of Evaluation Criteria for Technical Proposals

Evaluation Criteria	Points (Weights)
• Specific experience of Consultants	0 to 10
• Adequacy of the proposed methodology and work plan	20 to 50
• Qualification and competence of key staff	30 to 60
• Suitability of the transfer of knowledge program (training) – optional	Normally not to exceed 10
• National participation (nationals among key staff) – optional	Not to exceed 10
• Total	100

5.6.3 The criterion qualifications and competence of key staff is divided into following sub criteria:

- general qualification;
- adequacy for the assignment; and
- experience of region.

The evaluation is carried out using the pre-qualification and experience shown in their curriculum vitae (CV). The points allotted to the criterion are distributed among the above sub criteria as per percentage given in Table below:

Table : Range of percentage in Point Distribution of Key Staff Qualification and Competence Sub Criteria

Sub-criteria	Range of Percentage
• General Qualifications	20-30
• Adequacy for the assignment	50-60

• Experience in region and language	10-20
Total	100

5.6.4 **Methodology & Work Plan:**

The methodology and work plan is a key component of the technical proposal and should be evaluated carefully. Sub-criteria for evaluating this component of the proposal should include the following:

(i) **Technical Approach & Methodology:** Here consultants explain their understanding of the objective of the assignment, highlights the issues and their importance, and explain technical approach they would adopt to address them. They should then explain the methodology they propose to adopt, demonstrate the compatibility of these methodologies with the proposed approach.

(ii) **Work Plan:** Here consultants propose the main activities of the assignment, their content and duration, phasing and inter relations, milestones and delivery dates of the most important reports. The consistency of the technical approach and methodology with the proposed work plan is a good indication that consultants have understood the TOR and are able to translate them into a feasible working plan.

(iii) **Organisation and staffing:** In this section the Consultants propose the structure and composition of their team. It will list the main disciplines involved, the key expert responsible and proposed technical and support staff. The roles and responsibilities of key experts should be set out in job description.
The methodology, work plan and organization are all integrated. The work plan depends on the technical approach and methodology adopted, and these in turn determine the required organization.

5.6.5 The RFP has to indicate the relative weight assigned to the technical and financial proposals. For standard arrangement, the weight for quality is normally 80 percent with 20 percent given to cost. More than 20 percent weight to the cost of services is justified only for relatively routine and straight forward assignments, (such as designs of very simple structures), whereas in no case should it exceed 30 percent. For assignments in which quality considerations are relatively important, a minimum weight of 10 percent should be given to cost, and when considerations of quality are of primary importance, QBS is preferable to QCBS.
If cost is a factor of selection, a minimum technical qualifying mark may be provided in RFP to minimize the risk of accepting low-quality proposals at a very low cost. A qualifying mark in the range of 70 to 80 percent is typical. Any technical proposal with a score below this threshold is rejected, and the financial envelope is returned unopened. Setting the threshold too high increases the risk of rejection of a majority of proposals.

5.6.6 Table below summarizes the five evaluation criteria provided in the Standard Request for Proposals and gives examples of sub-criteria that could be adopted by the Client when preparing the RFP.

Table : Evaluation Criteria and Sample Sub-criteria

Evaluation criteria (as defined in the Consultant Guidelines)	Evaluation sub-criteria (select a maximum of three)
Specific experience of the consultants in the field of assignment	Normally no sub crieteria is specified

Adequacy of the proposed methodology and work plan in responding to the TOR	- Technical approach and methodology - Work plan - Organization and staffing Note: The number of subcriteria may be increased depending on the characteristic of the assignment
Qualification and competence of key staff proposed for the assignment	- General qualifications - Adequacy for the assignment - Experience in the region and language Note : These three subcriteria are defined by the RFP and cannot be changed.
Suitability of the transfer of knowledge program (training)	- Relevance of program - Training approach and methodology - Qualifications of training specialists
National participation (nationals among key staff)	No sub criteria but only the method to apply this criteria specified

5.6.7 **Notification to Consultants:** On completion of evaluation of Technical Proposal, Bank's no objection is received to the Technical Evaluation Report. On receipt of Bank's no objection for all prior review cases , Client notifies consultants whose proposal did not meet the minimum technical qualifying marks specified in the RFP, or were found to be non responsive, indicating that the consultant's financial proposal will be returned unopened at the end of selection process. The Client simultaneously notifies consultants whose technical proposals were above minimum technical qualifying mark, and inform them of the date and time set for opening of financial envelopes. The opening date should be at least two weeks after the notification date, to allow enough time for consultants to make arrangements to attend the opening.

5.6.8 **Evaluation of Financial Proposals:** On the date and time set for opening the financial proposal, the Evaluation Committee verifies that the financial proposals have remained sealed and then open them. The name of consultants, the qualifying scores, and proposed prices are read aloud and recorded as each financial proposal is opened. No modification to financial proposal is permitted. The Client prepares the minutes of the public opening, which should be attached to the Financial Evaluation Report.

The Evaluation Committee should first review the financial proposals for arithmetical errors and consistency between financial and technical proposals. Arithmetical errors should be corrected, omitted items evaluated, and corresponding adjustments made to the offered prices to obtain final evaluated prices. For purposes of comparing proposals, evaluated prices should be converted to Indian Rupees using exchange rate on date indicated in RFP.

4.6.9 **Combined Evaluation and Final Score:** If QCBS is the method of selection, the Evaluation Committee weighs and combines the scores of the technical and financial proposals to obtain a final ranking of the proposals and recommendation of award. The Final Evaluation Report is submitted to decision making authority for review and forward the report to the Bank for its information. The Client invites the selected consultant for negotiations and inform the other consultants that they were unsuccessful and furnishes the name of selected firm. The scope of negotiation is given in para 3.7 below. After technical and financial negotiations are completed, the Client shall furnish to the Bank for all prior review cases , in sufficient time for its review, a copy of initialled negotiated contract. If the negotiated contract results in a substitution of key staff or any changes in TOR and in the originally proposed

Contract, the Client shall highlight the changes and provide an explanation of why these changes are necessary.

5.7 NEGOTIATIONS

5.7.1 Negotiations shall include discussions of TOR, the methodology, staffing, Clients input and special conditions of the Contract.

5.7.2. The selected firm should not be allowed to substitute Key Staff, unless both parties agree that undue delay in the selection process makes such substitution unavoidable or that such changes are critical to meet the objectives to the assignment.

5.7.3 Financial negotiation shall include clarification of the Consultants tax liability in the Clients own country and now this tax liability has been or would be regulated in the contract.

5.7.4 Where QCBS procedure is followed, in the case of lumpsum, contract price should not be negotiated. In the Time Based Contracts, proposed unit rates for staff months and reimbursable shall not be negotiated (since there have already been a factor of selection) unless there are exceptional reasons. Reimbursable are paid on actuals upon presentation of receipts and hence not subject to negotiations. If client wants to fix a ceiling he should do so by indicating in RFP.

5.8 EVALUATION COMMITTEE

For technical and financial evaluation of consultants' proposals, the Client shall appoint a committee of three to five qualified number of individuals of comparable hierarchical level who shall undertake the process in the highest ethical standards. After the Committee has agreed upon the criteria and subcriteria definitions, and on rating and scoring methods, each committee member shall evaluate the proposals received independently. The Evaluation Committee should include one or two members of the team responsible for preparation of the TOR. To ensure transparency and consequent acceptability of the evaluation process and its results in sensitive case, a truly independent observer is allowed to participate in session of Evaluation Committee.
The Evaluation Committee submits its report and recommendation to the designated decision making authority for review and transmission to the Bank for no objection if the contract is subject to the prior review, or for review and award for contracts for post-review.

5.9 REJECTION OF ALL PROPOSALS

Cases of rejection of all proposals received need to be referred to Bank for no objection and clearance. The grounds for rejecting all proposals can be as under:

- The proposals present major deficiencies in responding to RFP.
- The cost proposals are substantially higher than the Client's estimated budget.

5.10 ROLE OF BANK IN EVALUATION PROCESS

5.10.1 Selection of Consultants is the Client's responsibility and Bank does not participate in the evaluation of proposals but, upon request of the Client, may provide advice in methodology and selection procedures before the actual evaluation takes place.

5.10.2 In assignments in which prior review is required, the Bank reviews the Technical Evaluation Report, if satisfied, sends its no objection to the Client. The Bank may request additional explanation or information about the report contents from the Client when necessary. In exceptional cases, the Bank may ask the Client to submit one or more proposals for its review.

5.10.3 Under QCBS, if the Bank determines that the final evaluation report, recommendations for award and / or negotiated contract are inconsistent with the provision of RFP, it shall promptly inform the Client and state the reason for its determination, otherwise, the Bank shall provide the final "no objection" to the contract award. The Client shall confirm the award of the contract. The description and amount of the contract, together with the name and address of the firm, shall be subjected to public disclosure by the Bank upon the Clients confirmation of contract award.

5.11 TYPES OF CONSULTANT'S CONTRACTS

5.11.1 The type of contract with Consultant can be:

- Lump Sum;
- Time – based;
- Retainer and / or success fee
- Percentage; and
- Indefinite delivery

5.11.2 **Lump sum Contracts**

Lump sum contracts are used mainly for assignment in which the content and length of the services and duration of services is clearly defined. Remuneration is fixed for the life of the contract, and no physical or price contingencies are normally provided. Lump sum contracts are often used in relatively simple and clearly defined assignments such as:

- Planning and Feasibility studies
- Environmental studies
- Detailed design of infrastructures
- Preparation of Data Base

Payments are made in accordance with a contractually agreed upon schedule of delivery or against schedule of percentage of work completed.
A lump sum contract is easy for the Clients to administer and requires little technical supervision.

5.11.3 **Time –Based Contracts**

Under time based contract, the consultant provides services on a time basis according to quality specification and consultant's remuneration as based on agreed upon unit rate for consultant staff multiplied by actual time spent by staff on assignment and reimbursable expenses as per actual and/or agreed unit rates. Such contracts are recommended for :

- Complex studies or studies of new approach
- Supervision of Implementation assignment
- Training Assignments
- Advisory services

Time based contracts transfer cost risks to the Client

5.11.4 **Retainer and/ or Success Fee Contracts**

The type of contract is often adopted to remunerate financial and management advisers who assist bank's clients in the sale of assets, such as privatization operation. In these cases the QCBS method, in which consultants are asked to quote a retainer fee and/ or a success fee, is generally recommended for selection of Consultants. The proportion of retainer and success fee is often fixed in advance and is not subject to negotiation by the winning consultant. The retainer fee proportion is higher if the Consultant's role constitutes more to planning and design of privatizations reforms. Success fees are appropriate when success is related to the efforts of the firms involved and is relatively easy to quantify.

5.11.5 **Percentage Contracts**

In a percentage contract consultants receive an agreed upon percentage of the actual project cost. Sample of percentage contract includes:

- Architectural services
- Engineering services
- Procurement services
- Inspection Agents

5.11.6 **Indefinite Delivery Contracts**

Indefinite delivery contracts are used for on-call specified services. The Client and the firm agree upon the unit rates to be paid to the experts and payments are made on the basis of the time actually used. Such contracts include:

- Advisory for complex projects i.e. Dam panel
- Expert Adjudicator
- Technical Trouble shooting

5.12 SELECTION OF APPROPRIATE CONTRACT FORM

Table below indicates the correlation between type of assignment, selection method and type of contract. They should be considered with some degree of flexibility, depending on the size and characteristics of the assignment

Table: Correlation between Type of Assignment, Selection Method, and Type of Contract

Type of assignments/scope of work	Selection method	Type of contract
Critical studies in the field of policy, strategy, and management of Client's institutions Country economic, section, or investment studies Master plans Pre feasibility studies Complex feasibility studies Studies or design of complex projects Studies in new technology or human and social	QBS	Time –based
Simple planning studies Simple feasibility studies Environmental studies Contract and detailed design of infrastructures Preparation of bidding documents Date processing Clearly defined strategy and management studies	QCBS	Lump sum
Technical assistance for institutional development Technical assistance for privatization programs	QBS or QCBS	Time-based or indefinite delivery
Technical assistance in investment projects Construction supervision Privatization operations Financial sector reforms Procurement/ inspection Simple, precisely defined assignment with fixed budget Standard or routine assignments costing less than Rs.90.00 lakhs (US $ 200,000)	QCBS QCBS QCBS QBS QCBS FBS LCS	Time –Based Time-Based Retainer and/or success fee Retainer and/or success fee Percentage Lump sum Lump sum

5.13 CONTRACTS

The contract invariably comprises of:

- The form of contract to be signed by the Client and the Consultant
- The (General Conditions of Contract) GCC, which must be kept unchanged
- The (Special Conditions of Contract) SSC, which are specific to the assignment, and
- The Appendices

It needs to be noted the text of the Form of Contract and of the General Conditions of Contract (GCC) cannot be changed. The Special Conditions of Contract(SSC)

enables the Borrower to amend or supplement the clauses of the general condition to reflect local conditions and characteristics of the assignment.

5.14 PROCUREMENT OF SERVICES OF INDIVIDUAL CONSULTANT

5.14.1 Individual consultants are employed on assignments for which (a) teams of personnel are not required, (b) no additional outside (home office) professional support is required, and (c) the experience and qualifications of the individual are the paramount requirement. When coordination, administration, or collective responsibility may become difficult because of the number of individuals, it would be advisable to employ a firm.

5.14.2 Individual consultants are selected on the basis of their qualifications for the assignment. Consultants shall be selected through comparison of qualifications of at least three candidates among those who have expressed interest in the assignment or have been approached directly by the Client. Individuals considered for comparison of the qualifications shall meet the minimum relevant qualifications and those selected to be employed by the Client shall be the best qualified and shall be fully capable of carrying out the assignment. Capability is judged on the basis of academic background, experience, and, as appropriate, knowledge of local conditions such as local language, culture, administrative system and government organization.

5.14.3 From time to time, permanent staff or associates of a consulting firm may be available as individual consultants. In such cases, the conflict of interest provisions described in the Bank's guidelines shall apply to the parent firm.

5.14.4 Individual consultants may be selected on a sole source basis with due justification in exception cases such as:

(a) Tasks that are a continuation of previous work that the consultant has carried out and for which the consultant was selected competitively;
(b) Assignments with total expected duration of less than six months;
(c) Emergency situations resulting from natural disasters; and
(d) When the individual is the only consultant qualified for the assignment.

5.14.5 For hiring of consultant job description, qualification and experience required and terms of engagement should be finalized. The consultants for the assignments must be called through advertisement in the newspaper. Individual should meet all relevant qualifications and should be fully capable of carrying out the assignment. The qualified individuals will be called for interview/ discussions prior to offering the assignment. Based on the above, a list of candidates shall be prepared for each assignment separately and the top listed candidate shall be offered the job.

5.15 NON GOVERNMENT ORGANISATIONS (NGOs)

5.15.1 Non-governmental organization (NGOs) may be included in the consultant shortlist if they express interest provided the Client and Bank find their qualification satisfactory. Short lists for assignments that emphasize experience in community participation and in depth local knowledge may entirely comprise NGOs, and QCBS should be followed.

5.15.2 Short listing of NGOs shall be based on below noted criteria:

- **Regulating requirement**
  - NGO should be validly registered under Societies Registration Act of the Govt. or have other corporate status

- NGO should be validly registered to work in the particular geographic locality.
- NGO's Article of Association or Bye laws permit, operation in the project sector
- NGO should be non political
- Should not have been black listed by the Central Social and Welfare Board (CSWB) or Council for the Advancement of Peoples Action & Rural Technology (CAPART) or by Central or any State Govt. in India.

- **Human and Physical measures**
  - Committed leadership at the top supported by adequate service level leadership.
  - Existence of adequate skilled staff in relation to needs of assignment
  - NGO should have necessary physical resource base like accessible office space, vehicles, and communication facilities and so on.

- **Community Sensitivity**
  - NGO should have prior experience of community development activity and mobilization.
  - NGO should have sufficient understanding of local problems and are sensitive to issues concerning women and weaker sections of Society.
  - NGO should have keen understanding and should be sensitive to works related to environment.
  - Should have excellent communication skills.

- **Financial Capacity**
  - Should have required financial strength and capability (last three years turn over and audited balance sheet should be examined).
  - Should have facility to maintain separate records and accounting of funds allotted for the assignment.

- **Relevant Sectional and Operational experience**
  - Should have prior experience in related areas.
  - Should have adequate experience in Participatory Rural Appraisal.
  - Must have been functioning for last three years in similar type of assignments.

4.15.3 RFP should be issued to short listed NGO's and their bids are obtained for the concerned services. Technical and Financial Proposals are evaluated and contract agreement signed after following the same procedure as for other consultants. Where large areas are involved for conducting IEC and community mobilization, the requirement of number of NGO may fall short of their availability. In such cases single Source Selection (SSS) method may be used with prior approval of the Bank.

5.16 MISPROCUREMENT

The Bank does not finance expenditures for consultancy services, which have not been procured/ contracted in accordance with the agreed provisions of the financing agreement and as further elaborated in Procurement Plan agreed with the Bank. In such cases, the Bank will declare misprocurement, and it is the policy of the Bank to cancel that portion of credit/ loan allocated to the goods, works, and consultancy services that have been misprocured. The Bank may, in addition, exercise other remedies provided for under the Financing Agreement. Even when the contract is awarded after obtaining "no objection" from the Bank, the Bank may still declare misprocurement, if it concludes that the "no objection" was issued on the basis of incomplete, inaccurate, or misleading information furnished by the Borrower or the terms and conditions of the contract had been modified without Bank's prior approval.

CHAPTER VI
COMMUNITY PROCUREMENT

6.1 CONCEPT

Growing awareness of community participation in the works from planning to implementation and post implementation can help in smooth operation and maintenance and successful implementation of the project. Institutional capacity of community plays a major role for effective community participation in procurement and implementation of the program Capacity building activities need to be undertaken in order to build and sharpen their existing skills for management and for sustaining all activities related to project implementation.

6.2 BENEFITS OF COMMUNITY PROCUREMENT

The benefits of involving community in procurement includes:

- Enhancing community ownership
- Increasing capacity of the community
- Generating employment and economic opportunities within the community.
- Lessening the burden of procurement on Government implementing agencies.

The merits of community procurement refers to :

- Ownership by the community
- Command over the entire process
- Sharing of capital investment of the project
- Simplicity
- Useful in operation and maintenance

It needs to be noted that community involved procurement, must not compromise with the principles of competitiveness and transparency of the process. It is planned to suit the capacity of the community in rural environment.

6.3 KEY RULES OF COMMUNITY PROCUREMENT

Following rules shall be observed and complied with during the procurement of works and goods:

- **Transparency:** All procurement procedures must be carried in an open and transparent manner displaying all the details of procurement at prominent places in the villages.
- **Equal opportunity to all Suppliers:** Equal opportunity must be given to all suppliers interested in supplying items to the community and uniform evaluation procedures must be adopted.
- **Accountability:** Any office bearer or committee member undertaking procurement function remains accountable for all decisions and actions taken.
- **Ensuring value of money:** Items procured should meet the required technical specifications and the quality standards, and must be arranged at reasonable prices.
- **Avoid procurement of item from Friends and Relatives:** Procuring items from close relatives and friends of any of the office bearers must be avoided.
- **No undue benefits for anyone:** No members of the community shall accept directly or indirectly any undue benefits or advantages on account of a procurement action.

- **Equal Pay for Equal work:** There should not be any distinction of wages between male and female workers and other benefits.

6.4REQUIREMENTS OF COMMUNITY PROCUREMENT

- **Quality Assurance:** Procurement of goods and materials having ISI certification **from authorized vendors of manufacturers shall be the first step in obtaining** prescribed quality of goods/ materials.
- **Quantity Assurance:** Quantities strictly required to execute the work satisfactorily shall always be worked out prior to scheduling the procurement. Purchase of excess goods/ materials always results in loss and wastage.
- **Timing:** Appropriate timing of delivery of goods/ materials matching with commencement and completion of work shall always be adhered to. Any gap might lead to either excess holding of material or to delay the completion of work, which may result in cost over-run, adversely affecting the financial viability of the project.
- **Rates:** The rates for materials, goods to be procured should be reasonable and commensurate with quality and comparable with purchases being affected for similar projects.

6.5PROCUREMENT OF WORKS BY COMMUNITY

In addition to the procurement to be under taken by PEAs and SPMU, there is a small community driven procurement for Entry point activities, livelihood activities and Plantation .In the project the community is being given the responsibility to implement the project .Each state is planning to undertake different projects through the community .The works to be undertaken by the community are as under :-

For the State Of Gujrat

- Mangroves plantation and
- Entry point activities like Water Harvesting Activities, Rain Water Harvesting, SMC Work - Ground Water Recharging, Stall Feeding Promotion activities , Salinity Prevention , Cyclone cum multipurpose buildings Bund, Alternative Energy Resources development, Bio shield & Fodder Development, Goods and Equipment

For the State Of Orissa

- Crab fattening
- Dairy & Gotary (Integration)
- Value addition of fishery products

For the State Of West Bengal

- Mangroves plantation

Mangrove plantation mostly involves labour .Seeds collection also involves labour and transportation .Besides labour a small percentage of the expenditure would be on purchase of Polythene bags .Entry point activities would mostly involve civil works .Same would be the case with crab fattening and Value addition of fishery products.

For community works, it is proposed that

- In case of mangroves plantation:- The community will undertake the work them selves
- In case of Entry Point Activity:- The communities can undertake the works themselves or invite a minimum of three quotations from the qualified contractors. The purchase of cement, Steel etc will be done by the community themselves.
- For Purchase of goods viz. Furniture, polythene , cement, steel :- The communities shall invite a minimum of three quotations.

Before the funds are released to the community an MOU will be signed between implementing agencies and communities to undertake works.
The proposed procedures for community driven procurement for works and goods are as follows:

- Shopping procedures for civil works for entry point and lively hood development activities
- Shopping procedures for purchase of goods required for plantation activity

When implementing the works by participation of community, the total requirement of procurement of goods shall preferably be done in one or more lots. Number of lots may vary depending upon the requirement over the next three months and capacity of the vendors/suppliers. Market survey is the simplest method that should be undertaken by the community for procurement of goods. Procurement of simple engineering works, other than specialized works would be done by hiring labour or on single contracting basis. Specialized works shall be procured through NCB or shopping depending upon the threshold limits.

6.6 PROCEDURE FOR PROCUREMENT

Formulation of Procurement Sub Committee (for Goods) (PSC)

- A three member Procurement Sub Committee (PSC) shall be formed by the community by nominating three of its members with the approval of general body of the users group and submit a copy this resolution to the project .The resolution shall also be recorded in minutees book . The Project shall nominate one project staff for assisting the Procurement Sub Committee (PSC) as facilitator.
- Procurement Plan shall be **prepared** from the contents of approved Detailed Project Report (DPR) for goods and for works in consultation with representative of the project staff (as nominated by project).

6.7PROCUREMENT OF GOODS

6.7.1 Procurement of goods in appropriate amount and at the right time is essential for the completion of any project within scheduled time. Procurement at community level shall be through shopping in which quantity of goods shall be purchased in such amounts, which are required immediately. This would minimize wastage due to lack of proper storage system. Procurement of each lot shall be done following the steps given below:

- Obtain sealed quotations from authorized dealers of goods with ISI Certification (where possible and available) in the selected markets (minimum 3 quotations).
- Opening of sealed quotations before community by PSC.
- Preparation of comparative statement of rates quoted and selection of the lowest evaluated responsive bidder.
- Finalization of rates and release of purchase order.

6.7.2**Selection of Market:** Selection of market should be done before obtaining the sealed quotations.

6.7.3 **Collection of Quotations:** The rates of materials shall be and following precautions shall be taken while obtaining sealed quotations:

- Format of Performa Invoice for all lots should be same.
- Quotation Notice shall contain description of item including reference to BIS Code.; quantity and delivery period, destination; mode of payment and guarantee period.
- For goods wherever possible ISI certification should be mandatory.
- Firms/Sellers shall quote the rate inclusive of all taxes and duties etc. with Sales Tax added separately on the letter head of the their firm mentioning the name, address, telephone/ Fax No. and sales tax no. etc.
- Quotation shall be addressed to community and signed with date by the owner / representative of owner of the firm.

- Quotation shall detail the guarantee period of each items/ goods.Information for the materials /goods to be purchased on quotation shall be tabulate in the following manner:

S. No.	Description of Materials (Indicate relevant BIS Code where applicable)	Quantity (No./metre/weight…)	Rate (Rs.	Total Amount (Rs.)	Remarks
1					
2					
3					
4					
5					
….	…… ….	……..	….....	……..	……..
….	…… ….	……..	….....	……..	……..

6.7.4 **Evaluation and Comparison of Bids:** The evaluation and comparison of bids shall be on the basis of free delivery at destination with prices including insurance to the place of destination (if applicable) but excluding sales tax/VAT. The community shall prepare a report on the evaluation and comparison of bids setting forth the specific reasons on which the recommendation is based for the award of the supply order. The community shall finalize their recommendation and pass a Resolution for Procurement of Goods .

6.7.5 **Approval for Procurement of Goods**: The purchase committee of the community shall submit all the related documents viz market survey and recommendation and all quotations to executive committee of community for approval and necessary action. The Executive committee shall examine rates quoted in quotations for materials and approve the procurement .The same should also be minuted in the minute book of the community . If the proposed rates are unreasonable and exceed the ceiling rates, it would be referred back to the purchase committee for reconsideration and the purchase committee would consider it in the light of observations made by executive committee and submit reconsidered/ revised proposal for approval .

6.7.5 **Purchase Orders:** After due approvals, the community (assisted by Procurement Sub Committee) shall place purchase order with the selected firm

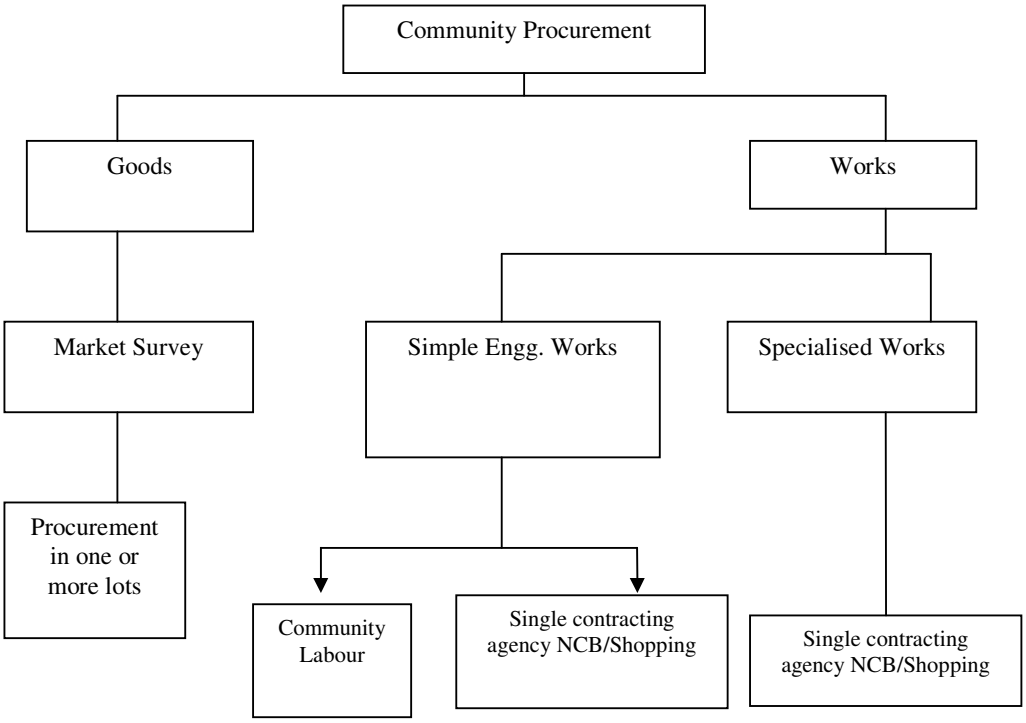
6.7.6 **Receipt and Payment of Supplier Bill**

Goods received against the order placed by President, in accordance with the procedure outlined above shall be entered in the site account of the work. The project staff ,nominated as Facilitator on Procurement Sub Committee alongwith members of Procurement Sub Committee shall acknowledge the materials thus received and shall also record it on the body of the invoice. The supplier shall attach the receipted invoice with the bill in duplicate and present it for payment. After receipt of above noted bill from supplier, the project staff shall verify the materials in accordance with specifications mentioned in the purchase order as well brand of the materials alongwith members of Procurement Sub Committee (PSC). All the members shall record a certificate as given below in token of the verification of bill :

"Certified that the materials have been received as mentioned in the Bill and verified as per specifications and brand name (if any) mentioned there in and found correct."

On the basis of the verification certificate mentioned above the President, shall draw cheque or draft in favour of the supplier from the bank account of community . The cheque will be signed as per rules prescribed by Govt. and handed over or dispatched to supplier.

A schematic diagram depicting these method is given below:



6.8PROCUREMENT OF WORKS BY COMMUNITY

If decided by the community works shall be executed by an agency (contractor) for which the quotations shall be invited from contractors having previous experience in the execution of similar works. Details and procedures given in Banks Standard Documents viz. W-5 and W-6 shall be followed.

6.9QUALITY CONTROL AT COMMUNITY LEVEL

Simple methods for exercising tests and checks for different goods/ materials like bricks, sand, aggregates, cement, steel, pipes etc. required for works at community level shall explained and demonstrated by project staff and later shall be implemented by the community to ensure that all the materials supplied conform to specification and have ISI certification and works as executed conform to the prescribed specification.

6.10SOCIAL AUDIT COMMITTEE

The community shall directly constitute a Social Audit Committee with five members for the implementation period and for period of 2 year each during operation and maintenance period. The Committee members:

- Should be respectable member of the community and on whom the poor have faith.
- Should not be members of any of the decision making Committees.
- At least three members should be from target population.

The Social Audit Committee shall perform the following functions:

- Ensure that all the Committee's follow provisions of Procurement Manual.
- Report any violation or deviation of rules to community
- Monitor the adherence of project principles and rules in the selection of beneficiaries, implementation of sub projects and all decisions of community .
- Ensure that the capital share has been provided by the beneficiaries including user charges.