

# Public procurement: Scope, principles & procurement cycle

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# Resource documents

1. General Financial Rules, 2017
2. Manual on policies and procedures for purchase of goods, 2017
3. Manual on policies and procedures for employment of Consultants, 2017
4. Manual on policies and procedures for procurement of Works, 2019
5. CVC guidelines
6. State Government Acts, Rules, etc.
7. Procurement manual of CPSE's & autonomous bodies

## Also need to know

1. Indian Contract Act, 1872
2. Sales of Goods Act, 1930
3. Prevention of Corruption Act, 1988
4. Central Vigilance Act, 2003
5. RTI Act, 2005
6. Information Technology Act
7. Arbitration Act, etc.

# Where to find the resource documents?

- [www.finmin.nic.in](http://www.finmin.nic.in)
- [www.eprocure.gov.in/cppp](http://www.eprocure.gov.in/cppp)
- [www.cvc.nic.in](http://www.cvc.nic.in)
- [https://tender.eprocurement.gov.in/html/faqs\\_department.asp](https://tender.eprocurement.gov.in/html/faqs_department.asp)

# What is public procurement?

- Procurement of goods and services **from public moneys** in and by:
  - Central Government
  - Central Public Sector Enterprises
  - Central autonomous bodies
  - Central statutory bodies
  - State Government & State PSEs, State autonomous bodies and State Statutory bodies

# Scope of public procurement

1. Public procurement of goods [GFRs: 142-176]
2. Public procurement of services [GFRs: 177-206]
3. Works: Civil, mechanical and electrical works [GFRs: 130-141]

# Public procurement of goods

- Includes all articles, material, commodity, livestock, furniture, fixtures, raw material, spares, instruments, machinery, equipment, industrial plant, vehicles, aircrafts, ships, medicines, railway rolling stock, assemblies, sub-assemblies, accessories, a group of machineries comprising an integrated production process or such other categories of goods or intangible products like software, technology transfer, licenses, patents or other intellectual properties purchased or otherwise acquired for the use of Government
- Works and services which are incidental or consequential to the supply of such goods, such as, transportation, insurance, installation, commissioning, training and maintenance
- But excludes books, publications, periodicals, etc., for a library

# Public procurement of services: Consultancy services

[GFR – 177]

- A range of services that are of an advisory or professional nature and are provided by Consultants
- Typically involve providing expert or strategic advice
  - e.g., management consultants, policy consultants or communications consultants, Advisory and project related **Consultancy Services**
  - include, for example: feasibility studies, project management, engineering services, Architectural Services, finance and accounting services, training and development.
  - May include small works or supply of goods or non-Consultancy services which are incidental or consequential to such services



# Public procurement of services: Non-consultancy services [GFR – 197]

- Services that cannot be classified as Consultancy Services.
- Other services involve routine repetitive physical or procedural non-intellectual outcomes for which quantum and performance standards can be tangibly identified and consistently applied and are bid and contracted on such basis.
- Include transport services; logistics; clearing and Forwarding; courier services; upkeep and maintenance of office/ buildings/ Estates (other than Civil & Electrical Works etc.); drilling, aerial photography, satellite imagery, mapping and similar operations, etc.

# Outsourcing of Services [GFR-197]

- Deployment of outside agencies on a sustained long term basis (for one year or more) for performance of other services which were traditionally being done in-house by the employees of Ministries/ departments
- Examples:
  - Security Services, Horticultural Services, Janitor/ Cooking/ Catering/ Management Services for Hostels and Guest Houses, Cleaning/ Housekeeping Services, .Errand/ Messenger Services, etc.

# Works

- Original works or Repairs
- Any activity, sufficient in itself to fulfil an economic or technical function, involving
  - construction, fabrication, repair, overhaul, renovation, decoration, installation, erection, excavation, dredging, and so on,
- Includes materials or certain services may be incidental or consequential to and part of such works

# Concept of 'Financial propriety' [GFR-21]

1. Vigilance
2. Economy
3. Morality
4. Equity (equality)
5. Responsibility
6. Accountability

# Principles of public procurement

1. Financial propriety [GFR-21]
2. Responsibility & accountability
3. Transparency
4. Fair & equal opportunity
5. Promote competition
6. Value for money (Efficiency & economy)
7. Ethical behaviour

# Five R's of public procurement

1. Right quantity
2. Right quality
3. Right price
4. Right time and place
5. Right source

# Public procurement cycle

- 1. Need assessment:** Need assessment, formulation of Specifications and Procurement Planning;
- 2. Bid Invitation:** Preparing bid documents, publication, receipt and opening of bids;
- 3. Bid Evaluation:** Evaluation of bids and award of contract; and
- 4. Contract Execution:** Contract management and closure; and
- 5. Disposal of Scrap:** Disposal of Scrap through various modes of disposal

# Procurement cycle for consultancy services

1. Preparation of Concept Paper/Procurement Proposal and obtaining in principle approvals;
2. Preparation of the ToR (in case of **consultancy services**)/Activity Schedule(in case of **other/non-consultancy services**), cost estimate and seeking administrative and budgetary approval
3. Short list of consultants - EoI formulation, publication, receipt of proposals and evaluation;
4. Preparation and issuance of the RfP; Receipt of proposals; Evaluation of technical proposals: consideration of quality; Evaluation of financial proposals; Selection of winning proposal; Negotiations and award of the contract to the selected firm; and
5. Monitoring of Assignments



# Modes of procurement

## **1. Open tenders:**

1. Open tender enquiry
2. Global tender enquiry

## **2. Procurement through selected suppliers**

1. Limited tender enquiry (up to Rs 25 lakh)
2. Special limited tender enquiry (beyond Rs 25 lakh under special circumstance)

## **3. Nomination Basis Tenders**

1. Proprietary Article Certificate (PAC); and
2. Single Tender Enquiry without PAC

# Modes of procurement..

## **4. Procurements without calling tenders**

1. Withdrawals against Rate Contracts (RC);
2. Direct Procurement without Quotation;
3. Direct Procurement by Purchase Committee;
4. Purchases through Central Purchase Organisation (DGS&D) or other such agencies

## **5. Mandatory Procurement of Goods and Services for Goods or Services available on GeM**

# Modes of procurements

S No	Cost ceilings	Mode of procurement
1	Up to Rs 25,000 (R-154)	Without quotation subject to a certificate
2	Above Rs 25,000 but up to Rs 2,50,000 (R-155)	Local Purchase Committee subject to a certificate
3	Up to Rs 25,00,000 (R-162)	Limited Tender Enquiry
4	Beyond Rs 25,00,000 (R-161)	Advertised tender enquiry
5	Common (off-the-shelf) office items	Rate Contract (R-148&156) E-procurement (R-160)
6	Propriety items (R-166)	Single tender enquiry

**Mandatory** to procure from GeM (GFR-149)

**1-6 only if the item/service NOT available on GeM**

# Bidding systems

## **1 Single stage single envelop system**

- Qualitative requirements and technical specifications are clear,
- Capability of source of supply is not critical and
- Value of procurement is low or moderate
- Eligibility, technical/commercial and financial details submitted together in the same envelop
- The simplest and the quickest bidding system: the default system of bidding
- The lowest responsive priced bid that meets the eligibility criteria, technical and commercial requirements laid down in the bid documents is declared as successful

# Bidding systems:

## 2 Single Stage Two Envelops System (Two Bid System)

- Technically complex requirements but where capability of source of supply is still not crucial and value of procurement is not low
- Bidders asked to bifurcate their quotations in two envelops:
  - The techno-commercial bid, contains the eligibility, technical quality and performance aspects; commercial terms and conditions and documents sought in the tender, except the price and relevant financial details
  - The financial bid, the price quotation along with other financial details
  - Both the envelops are to be submitted together in a sealed outer envelope

# Bidding systems:

## 4 Two Stage Bidding

- Complex and expensive procurement cases
- Not feasible to formulate detailed specifications
- Obtain bids in two stages separately
- 1<sup>st</sup> Stage: invite bids through advertised tender containing the technical aspects and contractual terms and conditions of the proposed procurement without a bid price
- 2<sup>nd</sup> stage of the bidding process, the procuring entity shall invite bids from all those bidders whose bids at the first stage were not rejected, to present final bid with bid prices in response to a revised set of terms and conditions

# Bidding systems:

## Expression of Interest

- Complex and high value procurement
- Procurement authority not clearly aware of specifications or the suppliers in the market
- EoI invited giving brief objectives and scope of requirement and tentative terms and conditions
- Meeting with EoI responsees to finalise the specifications and terms and conditions
- Invite price bid from short-listed eligible and willing bidders