

INDIAN ASSOCIATION FOR THE CULTIVATION OF SCIENCE

Subject: Frequently Asked Questions (FAQs) on Procurement of Goods and Services.

Rules quoted here are all from General Financial Rules, 2017 (GFR,2017)

1. What Rules and Regulations are to be followed for procurement of goods and services in an Autonomous Body?

Ans. Generally speaking, the General Financial Rules (GFR) and Delegation of Financial Powers, as amended and revised from time to time, are to be followed in procurement of goods and services. In addition, one can also refer to the Manual for Procurement of Goods 2017, updated in the year 2022, as issued by, Ministry of Finance, Department of Expenditure, Government of India. The issue of further updated manual 2024 is in the offing.

2. What is the significance of General Financial Rules?

Ans. General Financial Rules (GFR) are a compilation of rules and orders of Government of India to be followed by all while dealing with matters involving public finances. These rules and orders are treated as executive instructions to be observed by all Departments and organizations under the Government and specified Bodies except otherwise provided for in GFR.

3. When were General Financial Rules introduced?

Ans. General Financial Rules were issued for the first time in 1947 bringing together in one place all existing orders and instructions pertaining to financial matters. These have subsequently been modified and issued as GFRs 1963 and GFRs 2005. The latest being GFRs 2017.

4. What are the objects of GFR, 2017?

Ans. The aim of any rule is to provide a framework within which an organization manages its business in a financially prudent manner without compromising its flexibility to deal with varied situations. It was expected that GFRs 2017 would enable an improved, efficient and effective framework of financial management while providing the necessary flexibility to facilitate timely delivery of services.

5. Are GFRs 2017 applicable to Autonomous Bodies like IACS?

Ans. Yes. The Rule 1 of GFRs 2017 may be referred to in this regard. It says categorically that- "The provisions contained in GFRs are deemed to be applicable to Autonomous Bodies except to the extent of bye-laws of an Autonomous Body provides for separate Financial Rules with the approval of the Government". Since IACS is yet to have its own Financial Rules, being duly approved by the Government, GFRs 2017 are to be followed in letter and in spirit in IACS.

6. What are the fundamental principles of public buying (for all procurements including procurement of works) to be observed?

Ans. The description of the subject matter of procurement should-

a) be objective, functional, generic and measurable.

b) not indicate a requirement for a particular trade mark, trade name and brand.

(ii) the specifications in terms of quality and quantity of goods to be clearly spelt out. The superfluous and non-essential features should be avoided.

(iii) the technical specifications shall, to the extent practicable, be based on national technical regulations or recognized national standards or building codes.

(iv) to avoid purchasing quantity in excess of requirement to do away with inventory carrying cost.

(v) offer should be invited following a fair, transparent and a reasonable procedure.

(vi) the selected offer should meet the requirements in all respects.

(vii) the price of the selected offer is reasonable and consistent with the quality required.

(viii) the demand for goods shall not be divided into small quantities to make piecemeal purchases to avoid procurement through L-1 buying/ bidding/ reverse auction on GeM or the necessity of obtaining the sanction of higher

authorities considering the estimated value of the quantity to be procured. (Rule 144)

7. What is GeM?

Ans. The Director general of Supplies and Disposal (DGS&D) or any other agency authorized by the Government will host an online Government e-marketplace (GeM) for common use Goods and Services. The procurement of Goods and Services by Ministries and Departments is mandatory for Goods and services available on GeM. (Rule 149)

8. What are procedures to be observed for procurement through GeM?

Ans. The GeM portal shall be utilized by the Government buyers for direct on-line purchases as under: -

- (i) For purchase up to Rs 25,000 from any of the available suppliers on GEM, meeting the requisite quality, specification and delivery period;
- (ii) Above Rs 25,000 and up to Rs 5,00,000 through the GEM seller having the lowest price amongst the GEM sellers;
- (iii) Above Rs 5,00,000 through the supplier having the lowest price meeting the requisite quality, specification and delivery period after mandatorily obtaining bids, using online bidding or reverse auction tool available on GEM (excluding Automobiles where current limit is Rs 30 lakhs)

Above provisions are applicable for procurement through GEM only. For purchases, if any, outside GeM, the relevant GFRs shall apply. (Rule 149)

However, if particular kind of goods with requisite specifications are available on GEM, this has to be procured through GEM only.

9. Is it possible to register the suppliers at the local level in a department or office?

Ans. Yes, it is possible. With a view to establishing the reliable source for procurement of goods, a Head of the Department may also register

the suppliers of goods which are specifically required by that department or office. Registration of suppliers should be done following fair, transparent and reasonable procedure after giving due publicity. (Rule 150)

IACS may consider to resort to this practice for specific goods which are regularly required in various departments. This will facilitate the process of establishing the pool of reliable and specialized suppliers at local level to meet the requirements of IACS.

10. Is it possible to purchase the goods without quotation?

Ans. Yes, it is possible for small quantity of procurement. For instance, Purchase of Goods up to Rs 25,000 only on each occasion may be made without inviting quotation or bids on the basis of the certificate to be recorded by the Competent Authority in the following format:

“I am personally satisfied that these goods purchased are of the requisite quality and specification and have been purchased from a reliable supplier at a reasonable price”. (Rule 154)

11. What should we do if a certain item is not available on GeM while its value is more than Rs 25,000?

Ans. In that case, purchase of Goods costing above Rs 25,000 and up to Rs 2, 50,000 on each occasion may be made on the recommendations of duly constituted Local Purchase Committee of three members of an appropriate level as decided by the Head of the Department. The committee will survey the market to ascertain the reasonableness of rate, quality and specifications and identify the appropriate supplier. Before recommending the placement of order, the members of the committee will jointly record a certificate as under:

“Certified that we, members of the purchase committee are jointly and individually satisfied that the goods recommended for purchase are of the requisite specification and quality, priced at the prevailing market rate and the supplier recommended is reliable and competent to

supply the goods in question, and it is not debarred by the Department of Commerce or Ministry/Department concerned.” (Rule 155)

12. Is it possible for any organization to procure goods on rate contract basis?

Ans. This is possible when an organization procures the rate contracted goods directly from the suppliers authorised by Central Purchase organization (like DGS&D). The price to be paid shall not exceed the price stipulated; other terms and conditions shall also be in line with the conditions mentioned in the Rate contract. [Rule 156 (1)]

13. What is the standard method for procurement of goods by obtaining bids?

Ans. Except in cases mentioned in Rule 154, 155 and 156(1), the goods are to be procured by following the standard methods of obtaining bids in:

- (i) Advertised Tender Enquiry;
- (ii) Limited Tender Enquiry;
- (iii) Two-Stage Bidding;
- (iv) Single Tender Enquiry;
- (v) Electronic Reverse Auction.

14. When advertised Tendering is necessary?

Ans: Subject to exceptions incorporated under Rule 154, 155, 162 and 166, invitation to tenders by advertisement should be used for procurement of goods of estimated value of Rs 25 lakh and above. Advertisement in such case should be given in Central Public Procurement Portal (CPPP) and on GEM. Where the Ministry or the Department feels that the goods of the required quality and specifications may not be available in the country, a copy of the tender notice may be sent to the Indian Embassies abroad as well as to the Foreign Embassies in India. Ordinarily, the minimum time for

submission of bidding documents should be three weeks from the date of publication of tender notice and, when the department is contemplating to buy the goods from foreign market, it should be four weeks for both domestic and foreign suppliers. (Rule 161)

15. When the Limited tender Enquiry can be resorted to?

Ans: This method may be adopted when estimated value of the tender is up to Rs 25 Lakhs. Copies of the bidding document should be sent directly by speed post/registered post/email to firms which are borne on the list of registered suppliers for the goods in question as mentioned in Rule 150 of GFR, 2017. The number of supplier firms in Limited Tender Enquiry should be more than three.

For the purpose of procuring the goods through Limited Tender Enquiry, IACS, as a first step, should register the eligible suppliers by following a fair, transparent and reasonable procedure after giving due publicity as stated in Rule 150 of GFR.

An organization should publish its Limited Tender Enquiry in CPP. (Rule 162)

16. When is it necessary to follow the two-bid system, i.e., simultaneous receipt of separate technical bid and financial bid?

Ans: For purchasing high value plant and machinery etc, of a complex and technical nature, bids may be obtained in two parts as under:

- (i) Technical bids consisting of all technical details along with commercial terms and conditions; and
- (ii) Financial bid indicating the item-wise price of all items mentioned in the technical bid.

The Technical bids are to be opened at the first instance and evaluated by the competent committee or the authority. At the second stage, the financial bids of only those technically acceptable offers should be opened after intimating the date and

time of opening the financial bids for further evaluation and ranking them before awarding the contract. (Rule 163)

17. Are Two-Bid system and Two Stage Bidding Same?

Ans: No, there is a fundamental difference between the two. Unlike, the two-bid system, in two-stage system, the bids are obtained in two stages with the receipt of financial bid after the receipt and evaluation of technical bid.

Two stages bidding may be resorted to, if

(a) It is not feasible to formulate the detailed specification or identify specific characteristics for the subject matter of the procurement without receiving inputs about its technical aspects from the bidders; or

(b) The character of the subject matter of the procurement is subject to rapid technological advances or market fluctuations or both; or

(c) The Ministry or the Department seeks to enter into a contract for the purpose of research, experiment, study or development; or

(d) The bidder is expected to carry out a detailed survey or investigation and undertake a comprehensive assessment of risks, cost and obligations associated with the particular procurement.

(Rule 164)

18. Is there no scope for Single Tender enquiry in any Government procurement?

Ans: Yes, that scope is there but in a very limited and specific cases with a certification by the competent authority.

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

(i) It is in the knowledge of the user department that only a particular firm is the manufacturer of the required goods

(ii) In case of emergency, the required goods are necessarily to be purchased from a particular source and the reasons for such

decision are to be recorded and approval of the competent authority is obtained

- (iii) For standardization of machinery or spare parts to be compatible to the existing sets of equipment (on the advice of competent technical advice and with the approval of the competent authority), the required item is to be procured only from the selected firm

Note: Proprietary Article Certificate is to be provided by the Ministry/Department in the prescribed format before procuring the goods from a single source under the provision of Sub-Rule 166(i) and 166(ii), as applicable

- (i) The intended goods are manufactured by M/S...
- (ii) No other make or model is acceptable for the following reasons....
- (iii) Concurrence of Finance wing to the proposal vide
- (iv) Approval of the competent authority
(Signature with date and designation of the indenting officer).
(Rule 166)

19. Can an organization go for maintenance Contract?

Ans: An organization may go for maintenance contract for sophisticated and costly equipment and machinery; not necessarily with the supplier of the equipment/machinery. This contract should be entered into after expiry of the warranty period and, for the purpose of renewal of existing maintenance contract, it should be well before the new period for the maintenance contract begins. (Rule 169)

20. What is the purpose of having the Bid Security and rules thereof ?

Ans: To safeguard against a bidder's withdrawing or altering its bid during the bid's validity period in the case of advertised or limited tender enquiry, Bid security is to be obtained from the bidders except Micro and Small Enterprises (MSEs). Amount of bid security should ordinarily range between two percent to five percent of the estimated

value of the goods to be procured. Bid Securities of the unsuccessful bidders should be returned to them at the earliest after expiry of the final bid validity and latest on or before the 30th day after the award of the contract. (Rule 170)

21. What is Performance security?

Ans: To safeguard the performance of the contract, Performance Security is to be obtained from the successful bidder awarded the contract. It should be for an amount three to ten percent of the value of the contract as specified in the bid documents. Performance Security should remain valid for a period of sixty days beyond the date of completion of all contractual obligation of the supplier including warranty obligations. (Rule 171)

22. Is it permissible to pay advance to supplier?

Ans: No. Ordinarily, payments for services rendered or supplies made should be released only after the services have been rendered or supplies made. However, the advance payment is permissible in following cases:

- (i) For maintenance contracts;
- (ii) For fabrication turn-key contracts;

Such advance payment should not exceed the following limits:

- (a) Thirty percent of the contract value to private firm,
- (b) Forty percent of the contract value to State or Central Government agency or a Public Sector Undertaking. (Rule 172)

23. Under what circumstances the rejection of bid is justified?

Ans: Rejection of bid is justified under the following circumstances:

- (a) effective competition is lacking;
- (b) all bids and Proposals are not substantially responsive to the requirements of the procurement documents;

- (c) The Bid's /Proposal's prices are substantially higher than the updated cost estimate or available budget;
- (d) None of the technical proposals meets the minimum technical qualifying score. [Rule 173(xix)]

24. Should an organization always cancel the tendering process when only one bid is submitted?

Ans: No. Even when only one Bid is submitted, the process may be considered valid provided following conditions are satisfied:

- (a) The procurement was satisfactorily advertised and sufficient time was given for submission of bids.
- (b) The qualification criteria were not unduly restrictive; and
- (c) Prices are reasonable in comparison to market values. [Rule 173(xx)]

25. Is it possible to make a Buy-Back offer in the Government system of procurement?

Ans: Yes, this is possible.

When it is decided with the approval of the competent authority to replace an existing old item(s) with a new and better version, the department may trade the existing old item while purchasing the new one. For this purpose, a suitable clause is to be incorporated in the bidding document so that the prospective and interested bidders formulate their bids accordingly. Depending on the value and condition of the old item to be traded, the time as well as the mode of handing over the old item to the successful bidder should also be decided and relevant details in this regard suitably incorporated in the bidding document. (Rule 176 of GFRs)

26. What are different considerations relating to disposal of goods?

Ans: (i) An item may be declared surplus or obsolete or unserviceable if the same is of no use to the organization. The reasons for declaring

the item surplus or obsolete or unserviceable should be recorded by the authority competent to purchase them.

(ii) The competent authority may, at his discretion, constitute a committee of appropriate level to declare item(s) as surplus or obsolete or unserviceable.

(iii) The book value, guiding price and reserved price, which will be required while disposing of the surplus goods, should also be worked out. In case, where it is not possible to work out the book value, the original purchase price of the goods in question may be utilized.

(iv) In case an item becomes unserviceable due to negligence, fraud or mischief on the part of an official, responsibility for the same should be fixed.

(v) Scrap lots comprising of hazardous waste, batteries etc shall be sold keeping in view the extant guidelines of Ministry of Environment & Forest. Prospective bidders of such hazardous wastes should be in possession of valid registration.

27. What are the modes of disposal of surplus, obsolete and unserviceable goods?

Ans: Surplus or obsolete or unserviceable goods of assessed residual value above Rupees two Lakh should be disposed by:

- (a) Obtaining bids through advertised tender or
- (b) Public auction. (Rule 218 of GFRs)

28. What procedures to be followed in disposal of surplus, obsolete and unserviceable goods through Advertised Tender?

Ans: (i) The broad steps to be adopted for this purpose are as follows:

- (a) Preparations of bidding documents.
- (b) Invitation of tender for the surplus goods to be sold.
- (c) Opening of bids.
- (d) Analysis and evaluation of bids received.
- (e) Selection of highest responsive bidder.

- (f) Collection of sale value from the selected bidder.**
- (g) Release of the sold surplus goods to the selected bidder.**
- (h) Return of bid security to the unsuccessful bidders.**

(II) The important aspects to be kept in view while disposing the goods through advertised tender are as under:-

- (a) The basic principle for sale of such goods through advertised tender is ensuring transparency, competition, fairness and elimination of discretion. Wide publicity should be ensured of the sale plan and the goods to be sold. All the required terms and conditions of sale are to be incorporated in the bidding document.**
- (b) The bidding document should also indicate the location and present condition of the goods to be sold so that bidders can inspect the goods before bidding.**
- (c) The bidders should be asked to furnish bid security along with their bids. The amount of bid security should ordinarily be ten per cent of the assessed or reserved price of the goods.**
- (d) The bid of the highest acceptable responsive bidder should normally be accepted.**
- (e) In case the total quantity to be disposed of can not be taken up by the highest acceptable bidder, the remaining quantity may be offered to the next higher bidders at the price offered by the highest acceptable bidder.**
- (f) Full payment, i.e. the residual amount after adjusting the bid security should be obtained from the successful bidder before releasing the goods.**
- (g) In case the selected bidder does not show interest in lifting the goods, the bid security should be forfeited.**
- (iii) Late bids i.e. bids received after the specified date and time of receipt should not be considered. (Rule 219 of GFRs)**