



Government of India

**Ministry of Water Resources,
River Development & Ganga Rejuvenation**

PROCUREMENT MANUAL

NATIONAL HYDROLOGY PROJECT
(A World Bank Financed Project)

National Project Monitoring Unit

**National Hydrology Project
New Delhi**

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Table of Contents

CHAPTER 1: National Hydrology Project	1
CHAPTER 2: Introduction to Procurement	6
2.1 Procurement Cycle:	6
2.2 Procurement Planning:	6
2.3 Revision/ updating of procurement plan	8
2.4 Applicable Procurement Guidelines	8
2.5 Procurement Methods of Procurement of Goods, Works and Non-Consulting Services	8
2.6 Prior review arrangements	10
CHAPTER- 3: Procurement of Goods and Non-Consultancy Services	11
3.1 Procurement Methods	11
3.2 International Competitive Bidding (ICB):	11
3.3 National Competitive Bidding (NCB)	13
3.4 Shopping (Paragraph 3.5 of Procurement Guidelines)	16
3.5 Framework Agreements:	19
3.6 Direct Contracting	20
3.7 Important aspects for consideration in Procurement of Goods	21
CHAPTER: 4 Procurement of Consulting Services	24
4.1 Main Consideration for Selection of Consultants	24
4.2 Methods for selection of Consultants	25
4.3 Quality and Cost based Selection (QCBS)	25
4.4 Quality Based Selection (QBS)	29
4.5 Selection under a Fixed Budget System (FBS)	29
4.6 Least Cost Selection (LCS)	29
4.7 Selection based on the Consultant's Qualification (CQS)	30
4.8 Single Source Selection (SSS)	31
4.9 Selection of Individual Consultants (IC)	31
4.10 Few Salient Consideration for Procurement of Consultants	31
4.11 Types of Contracts	39
4.12 Important Provisions	40
CHAPTER 5: Procurement of Works	42
5.1 Shopping: Works	42
5.2 Force Account (Para 3.9 of Procurement Guidelines)	42
5.3 Record Keeping	43
Annexures	44

ABBREVIATIONS AND ACRONYMS

BDS	Bid Data Sheet
BG	Bank Guarantee
CGL	Consultancy Guidelines (Jan 2011 and revised in Jul 2014)
CQS	Selection Based on Consultants' Qualification
DGS&D	Directorate General of Supplies & Disposal
GeM	Government e-marketplace
FBS	Selection under Fixed Budget
GCC	General Conditions of Contract
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
IFB	Invitation for Bids
ITB	Instructions to Bidder
ITC	Instructions to Consultants
LCS	Least Cost Selection
LOI	Letter of Invitation
NCB	National Competitive Bidding
PAS	Procurement Accredited Staff
PGL	Procurement Guidelines (Jan 2011 and revised in Jul 2014)
PS	Procurement Specialist
QBS	Quality Based Selection
QCBS	Quality and Cost Based Selection
REOI	Request for Expression of Interest
RFP	Request for Proposal
SBD	Standard Bidding Document
SCC	Special Conditions of Contract
SIC	Selection of Individual Consultant
SSS	Single Source Selection
TOR	Terms of Reference
TTL	Task Team Leader
UNDB	United Nations Development Business

PREFACE

The “Procurement Manual” provides the essential information and brief step-by-step procedures for procurement of goods, works and services. This document is intended to guide the procurement officials directly involved in the procurement activities. It also intends to help in understanding the procurement processes and to achieve uniformity in procurement processes followed under the project. The rights and obligations of the purchaser and the contractor of goods and works will be governed by the tender documents and by the contracts signed by the purchaser with the contractor and not by the guidelines stated in this document.

However, the Procurement Manual is only a guideline document and the procurement of all Goods, Works, Non-consultancy Services and Consultancy Services under National Hydrology Project will be carried out in accordance with the:

- (a) the World Bank's Procurement Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers (January 2011, revised July 2014);
- (b) Consultant Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers (January 2011, revised July 2014); and
- (c) the provisions stipulated in the Legal Agreement. The project will be subject to the World Bank's Anticorruption Guidelines (October 15, 2006 and revised January 2011) and the agreed procedures described in the Legal Agreements.

In event of any discrepancies between the Manual and the World Bank Guidelines, the World Bank Guidelines as stated above will supersede the Procurement Manual.

Chapter 1: National Hydrology Project

1. The Government of India has received a loan US\$175 million from the World Bank towards the cost of the National Hydrology Project (NHP) and it intends to apply the proceeds of this loan to payments for Goods, Works, Consulting Services and Non-Consulting Services to be procured under this project.
2. The project development objective (PDO) is to improve the extent, quality, and accessibility of water resources information and to strengthen the capacity of targeted water resources management institutions in India.
3. The project has two groups of direct beneficiaries: (a) central and state implementing agencies (IAs) responsible for surface water and/or groundwater planning and management, including river basin organizations (RBOs) and (b) users of the Water Resource Information System (WRIS) across various sectors and around the world.
4. The project will support the expansion of the water resources monitoring system and institutional capacity for water resources management established in some states under Hydrology Projects (HP-I and HP-II) to cover the entire country, establishing improved infrastructure for water resources data collection; developing standardized database management systems to validate, store, and process the data; and introduced DSS tools for water resources planning and real-time operation of water infrastructure in selected river basins.
5. The NHP will further improve and expand the water resources monitoring system, strengthen water resources operation and planning systems, and enhance institutional capacity for water resources management. The project will improve access to information and will contribute to a culture change of open access to information. It will build up institutional capacity for evidence-based decision making in water resources planning and operational management at the basin scale across India using the latest technology and tools. In the new states, support will be provided for adopting the standards and procedures for water resources monitoring and database management that were developed under the earlier projects. In all the states, the focus will be on integrating data in a comprehensive national information system and using the information for improved water planning and management.
6. Based on the previous experience, a four-pronged approach to achieve objectives has been adopted: (a) modernizing monitoring, including establishing comprehensive, nationwide, automated, real-time monitoring and data management systems for surface water and groundwater (both quality and quantity); (b) enhancing analytical tools for water resources assessment, hydrologic and flood inundation forecasting, water infrastructure operations, groundwater modelling, and river basin and investment planning; (c) transforming knowledge access, using cloud computing, Internet, mobile devices, social media and other communication tools to modernize access to and visualization of customized water information by all stakeholders; and (d) modernizing institutions through investments in people and institutional capacity.

7. In line with the four-pronged strategy, the project will have four components: (A) Water + Resources Monitoring Systems; (B) Water Resources Information Systems; (C) Water Resources Operations and Planning Systems; and (D) Institutional Capacity Enhancement. Essentially, the data systems (Component A) will feed into the information systems (Component B) to improve planning and operations and to produce water information products (Components B and C), all of which will provide the basis for improved decision making on investment planning, water resources allocation, flood and drought management, and irrigation capacity and efficiency. Technical capacity for systems, planning, operations and policy, and decision making will be built under Component D.

Component A: Water Resources Monitoring Systems (US\$150 million): This component will finance the establishment/modernization of new and existing hydromet monitoring systems including meteorology, streamflow, groundwater, and water storage measurements, and construction of hydro-informatics centers that capture both water resources and uses. This component will be implemented by all states/UTs with the support of core central agencies. The major activities will include the following:

Sub-component A1: Hydromet Observation Networks: The project will establish/modernize new and existing hydromet data acquisition networks with automated/digitized and real-time communication systems. Investments will be in minor civil works for placement of sensors, installation and operation of hydromet systems for meteorology, streamflow, groundwater and water storage measurements, and portable and laboratory equipment for water quality testing.

Sub-component A2: Supervisory Control and Data Acquisition (SCADA) Systems for Water Infrastructure: In addition to real-time data acquisition systems, some reservoirs, canals, and groundwater operation systems will be equipped with the remote control systems (SCADA). This will allow for remote control of gates and operation from a control room as well as allow for system response on a real-time basis during floods or other emergencies.

Sub-component A3: Establishment of Hydro-informatics Centers: The facilities for automated data collection, collation, and processing at the state and national levels would be established or upgraded. The project will support (a) construction or upgrading of state and national hydro-informatics (data) centers, primarily for new states, to serve as hubs for both real-time and long-term data management and operational control systems; (b) information technology (IT) equipment and software to receive and process data; (c) services to digitize historical data and records; (d) facilities to test hydromet instrumentation and design and provide quality control over installations; and (e) data storage servers, including cloud servers.

Component B: Water Resources Information Systems (US\$50 million): The component will support the strengthening of national and sub-national water information centers with web-enabled WRISs through standardization of databases and products from various data sources/departments and make comprehensive, timely, and integrated water resources information available to decision makers for effective planning, decision making, and operations. An information-sharing protocol among agencies will be developed to specify which information can be publicly shared and or only among public stakeholders through secured access process.

Sub-component B1: National WRIS: The web-based India-WRIS (<http://www.india-wris.nrsc.gov.in/wris.html>) will be strengthened through the integration of observation data systems and the inclusion of state-level data, and multidisciplinary national level information systems. To facilitate the integration, the NWIC will provide support through operating environment provision, hardware, software, server, procurement and acquisition of data from other national centers so that member agencies need not to procure again. Specific activities shall include the standardization of software and protocols for database management; provision of national products/services through collaboration with other centers/organizations such as weather forecast; remote sensing-based products, and high-resolution digital terrain models.

Sub-component B2: Regional/Sub National WRIS: The project will support development or strengthening of centers for web-based WRIS at the regional, river basin, and state/UT levels. The National WRIS will support regional -level WRIS through the introduction of data-sharing and data synchronization capabilities with regional data systems along with the provision of region-based WRIS views. In addition, state-WRIS views will be customized with the tools and applications to serve and exchange information with other state departments such as disaster centers, drinking water supply, rural development and agricultural departments.

Component C: Water Resources Operations and Planning Systems (US\$66 million): This component will support the development of interactive analytical tools and decision-support platform that would integrate database, models, and scenario management for hydrological flood forecasting, integrated reservoir operations, and water resources accounting for improved operation, planning, and management of both surface water and groundwater (figure 1). The component will provide interactive systems to analyze the impacts of alternative management scenarios and generate knowledge products using real-time data under Component B. Component C has three sub-components: (C1) Development of analytical tools and decision-support platform (river basin modeling, streamflow forecasting and reservoir operation systems, and irrigation design and operations); (C2) Purpose-driven support; and (C3) Piloting innovative knowledge products.

Sub-component C1: Development of Analytical Tools and Decision-support Platform: This sub-component will support development of an interactive platform for various water resources management applications, preferably web based with cloud computing. This will include developing some software applications as well as setting up the decision-making platform for actual operations and investments. The three major categories of decision tools under this sub-component (a) The river basin management platform(b). Streamflow forecasting and reservoir operation systems (c). Irrigation management and operation system.

Sub-component C2: Purpose-driven Support: This sub-component is expected to cover a wide range of water management issues raised by agencies—for example, issues of water quality 'hotspots', groundwater issues, or problems of reservoir sedimentation. The sub-component will allow agencies to conduct surveys, including the assessment of social and environmental impacts. The sub-component will also make financing available to support planning and technical investigations for investments such as the National Aquifer Program, the proposed NGMIP, the PMKSY, and other water and agricultural projects. For instance, the NGMIP may require technical support to guide the preparation of water security plans.

Sub-component C3: Piloting Innovative Knowledge Products: This sub-component is aimed at testing innovative applications developed under the project. This may include operationalization of irrigation rosters in canal systems, piloting community-based water resources management (CBWRM) in canal water and groundwater-based irrigation systems, including benchmarking the performance of water users associations (WUAs), and other such innovative solutions. The project will support the engagement of specialized consultancies and infrastructure/goods required to put these activities in practice.

Component D: Institutional Capacity Enhancement (US\$84 million): Component D aims to build capacity for knowledge-based water resources management. It will support sub-components in the establishment of (D1) Water Resources Knowledge Centers, (D2) Professional Development (D3) Project Management, and (D4) Operational Support.

Sub-component D1: Water Resources Knowledge Centers: This sub-component will support the establishment or strengthening of 'centers of excellence' to develop expertise and a pool of experts and ensure that the knowledge, tools, and innovations developed under the project are applied to improved water resources management.

Sub-component D2: Professional Development: This sub-component will aim at increasing the number of specialists in key water management disciplines where skills are lacking, both within the government and in related professional organizations and institutes.

Sub-components D3: Project Management: This sub-components will support management and facilitation of project activities at the national and sub-national levels through a national project management unit (NPMU), central project management units (CPMUs), river basin project management units (RBPMUs), and state project management units (SPMUs), including technical assistance, activity management, procurement, financial management (FM), safeguards, training, communications, monitoring, learning, and evaluation.

Sub-components D4: Operational Support: “Incremental Operating Costs” means the reasonable costs of incremental operating expenditures incurred during the implementation of the Project, which expenditures would not have been incurred absent the Project, including, inter alia: office space rental and utilities; office maintenance and repair; office consumables, vehicles rental, operation and maintenance; communication, printing and/or publication expenses; staff per diems, field allowances, travel expenses; bank charges; insurance premia; and salaries of civil servants on full-time deputation.

8. **Project financing:** The lending instrument will be an Investment Project Financing. Table shows project costs and financing by component. The total project cost is US\$350 million.

Table 1: Project Cost and Financing (US\$, millions)

Component	Project Cost
A: Water Resources Monitoring Systems	150
B: Water Resources Information Systems	50
C: Water Resources Operations and Planning Systems	66
D: Institutional Capacity Enhancement	84
Total	350

9. Implementation Arrangements: The MoWR, RD&GR will be the lead IA for the project. Implementation in each participating state/Union Territory (UT) will be the responsibility of the respective state/UT-level agencies (groundwater and irrigation/water resources department). In addition, seven central agencies and two river basin agencies will also implement project activities pertaining to their specific mandates or basin areas. Overall, there will be 49 IAs: the lead IA (the MoWR, RD&GR); 7 central agencies; 2 RBOs; and 39 state/UT agencies dealing with surface water and groundwater development and management.
10. Implementation responsibilities are distributed across the central and subnational IAs to maintain the balance and risk between centralized and state-based activities and minimize interdependence between the center and states while ensuring the integration and standardization of systems. All central and subnational IAs will have project management units (PMUs), with a multidisciplinary team required to implement project activities. Each IA will be accountable for procurement planning, conducting procurement process and contract management.
11. All procurements in the project will be carried out as per the agreed procurement plan and annual work plan. The Annual Work Plan means each of the plans prepared by each Project Implementing Entity, approved by MoWR, RD&GR on an annual basis and referred to in the legal Agreement, which lists activities to be carried out by the Project Implementing Entity and meets the criteria agreed with the Bank. The procurement plan at the States will be executed by SPMU. At the state level, NPMU will have only an advisory role in procurement except that all procurements subject to prior review, will be sent to the Bank only thru the NPMU. However, regarding any procurement related to Hydromet network stations (upgradation or establishment of new stations), the location (latitude and longitude), equipment details and proposed communication system would require to be referred to NPMU, which shall ensure through CWC/CGWB that there is no duplicity in the network
12. The rights and obligations of the procurer and the provider are governed by the bid/tender/proposal and by the contracts signed by the procurer with the provider and not by the Procurement Guidelines or Consultant Guidelines or the Financing Agreements between the Bank and Borrower. The project documents are accessible in the World Bank's website and advised to keep the copy of these documents for ready reference.
13. The Articles of Agreement require the Bank to ensure that the proceeds of Loan / Credit are used for the purposes intended with due attention to economy and efficiency and without regard to political or other non-economic influences or considerations.
14. Procurement is an important aspect of Bank's operations. It is a critical element in project implementation and unless it is carried out efficiently and effectively, the full benefits and the Project Development Objectives (PDOs) may be difficult to realize. Bank Loans/ Credits are normally disbursed as expenditures are incurred. Since delays in procurement, delays disbursements, every effort should be made to ensure prompt handling of procurement.
15. Good procurement practices alone cannot ensure that the Bank assisted Projects will achieve their developmental goals, but these will enhance the developmental effectiveness. However, poor procurement practices virtually guarantee that these development goals will not be fully achieved.

¹<http://projects.worldbank.org/P152698?lang=en>

Chapter 2: Introduction to Procurement

Sound public procurement is vital for ensuring success of a project through promoting good governance and optimum financial management with economy and efficiency.

Procurement manual is intended as an immediate guidance tool for all officers involved in project procurement. The procurement manual aims to deepen the understanding and ensure consistent application of agreed procedures for project procurement in all the Implementing Agencies (IAs). Procurement Manual contains procedures to be followed for procurement of Goods, Works, non-consultancy and Consultancy services for implementation of NHP.

The Manual is based on World Bank Guidelines and will be applicable for all implementing agencies. The applicable guidelines are displayed in the NHP website www.indawarrm.org and also accessible from the World Bank's website.

2.1 Procurement Cycle:

The procurement process spans a life cycle from identification of the need, through the selection of suppliers, to post-contract award management, including disposal / complaint redressal.

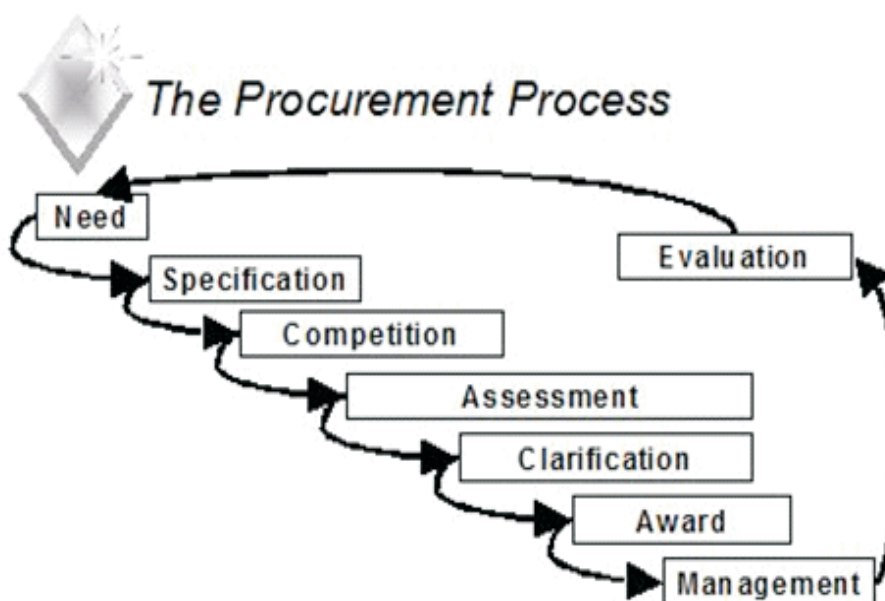


Figure : Procurement Cycle

2.2 Procurement Planning:

Procurement Planning is a tool to detail out the goods, works, consultancy services and non-consultancy services required for meeting the project's mission, goals, and objectives. Procurement by any project implementing entity at national, state and PMU level shall be undertaken in adherence to the following essential conditions.

- (a) Ensure that specific budget provision is available to meet expenditure in the financial year in which it is to be incurred.

- (b) Assess bulk requirement of goods, works and services for procurement at the beginning of the financial year and initiate action for procurement in accordance with the procedure applicable.
- (c) Procurement is made to the best advantage of the annual plan implementation after comparison of competitive prices.
- (d) Purchase of items are in economic lots (economy of scale) keeping in view the annual requirements, will help to achieve better pricing points/economy.

The Procurement Plan (for Goods and Non-Consultancies, Works and Consultancy services) for each of the Implementing Agency should be prepared for the full duration of the project. In case this is not possible for at least the first 18 months, based on the approved PIP, and the annual work plans. The NPMU has finalised the technical specifications for most of the goods and equipment required under the project, and these have been uploaded in the website (www.indiawrm.org).

The PP should at the minimum have the description of the items, estimated cost, method of procurement, and review by the Bank, estimated date of issue of bid / proposal and the estimated date of signing the contract. [**For threshold calculation value of US\$ to be taken as 65 INR**]

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/IFB rather than on the value of each individual contract/ schedule/ lot/ slice within the tender. The determination of whether a contract meets the procurement prior review threshold is based on the estimated to cost of the contract, including all taxes and duties payable under the contract.

The procurement plan details should include:

- i. The particular contracts for the goods, works and/or services required to carry out the project during the financial year.
- ii. The proposed methods for procurement of such contracts with their estimated costs, procurement schedule (**Annexure 01**: Internal Lead time for preparing the procurement schedule) in accordance with the procedures agreed in the financing agreement, and;
- iii. The related review procedures (prior review by the Bank).

From the Procurement plan, a procurement schedule should be developed and prepared which gives the dates for each of the steps of the procurement for monitoring. A format of the procurement schedule is attached as **Annexure 01**.

The PP/ schedule should be entered into the Bank's **STEP (Systematic Tracking and Exchanges in Procurement)**. The Bank reviews the submitted PP and accords no-objection. The procurement action will be initiated only after Bank's no-objection to PP. The approved PP will be disclosed in the NHP website as well as Bank website for National Hydrology Project in the section of Projects.

2.3 Revision/ updating of procurement plan

The procurement plan is a dynamic document and can be modified to include or exclude any procurements, subject to the approval of the Bank. The procurement plan may be revised/ updated, as required, to reflect the actual project Implementation needs, and requirements.

Each of the Implementing Agency (IA) should update the PP at least annually or as needed throughout the duration of the project. **The IA should obtain the concurrence from the World Bank for updated PP after the obtaining internal approvals of MoWR, RD&GR.** Only those activities that are included in the procurement plan would be eligible for disbursement.

All Procurement Plans and their updates or modifications shall be subject to the Bank's prior review and no objection before implementation.

2.4 Applicable Procurement Guidelines

Project procurement will be conducted in accordance

- a) All goods, works and non-consulting services shall be procured in accordance with the provisions of Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers, January 2011, Revised July 2014 (hereinafter referred as “Procurement Guidelines”)
- b) All consultants' services shall be procured in accordance with provisions of the Bank Guidelines: “Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers, January 2011 Revised July 2014 (hereinafter referred as “Consultant Guidelines”).
- c) The Project will be subject to the Bank's Anti-Corruption Guidelines (October 15, 2006, revised January 2011).
- d) Agreed procedures described in the Legal Agreements.
- e) Project procurement will be conducted using e-procurement systems for eligible IAs.

2.5 Procurement Methods of Procurement of Goods, Works and Non-Consulting Services

Procurement of Goods, Information technology and non-consultancy services:

Table 2 : Thresholds for Goods, Information technology and non-consultancy services

Method of Procurement	Thresholds for Methods
International Competitive Bidding (ICB)	> US Dollars 3 million (INR 195 million)
Limited Competitive Bidding (LIB)	Must meet the requirements as per Para 3.2 of the Procurement Guidelines, and with prior agreement in PP with the Bank
National Competitive Bidding (NCB)	> USD 100,000 and up to USD 3 million (INR 6.5 million – INR 195 million)
Shopping	Up to USD 100,000 (INR 6.5 million)
Direct Contracting	Must meet the requirements as per Para 3.7 of the Procurement Guidelines, and with prior agreement in PP with the Bank
Framework Agreement	Must meet the requirements as per Para 3.6 of the Procurement Guidelines, and with prior agreement in PP with the Bank

Procurement of Works:

Table 3 : Thresholds for Works

Method of Procurement	Thresholds for Methods
International Competitive Bidding (ICB)	> US Dollars 40 million (INR 2,600 million)
National Competitive Bidding (NCB)	> USD 100,000 and up to USD 40 million (INR 6.5 million – INR 2,600 million)
Comparison of three quotations / Shopping	Up to USD 100,000 (INR 6.5 million)
Force Account	Must meet the requirements as per Para 3.9 of the Procurement Guidelines, and with prior agreement in PP with the Bank

Procurement methods of procurement of Consultants' Services (Firms)

Table 4 : Thresholds for Consultancy Services (Firms)

Method of Procurement	Thresholds for Methods
Quality and Cost Based Selection (QCBS)	
Quality Based Selection (QBS)	Must meet the requirements as per Para 3.2 to 3.4 of the Consultant Guidelines
Selection based on a Fixed Budget (FBS)	Must meet the requirements as per Para 3.5 of the Consultant Guidelines,
Selection Based on Least Cost Basis (LCS)	Must meet the requirements as per Para 3.6 of the Consultant Guidelines,
Selection based on Consultant's Qualification (CQ)	Estimated not to exceed USD 300,000, and must meet the requirements as per Para 3.7 of the Consultant Guidelines.
Single Source Selection (SSS)	Must meet the requirements as per Para 3.8 to 3.11 of the Consultant Guidelines, and with prior agreement in PP with the Bank. "very small" means estimate not to exceed USD 100,000 (INR 6.5 million),

Procurement methods for Selection of Individual Consultants (IC)

Table 5 : Thresholds for Consultancy Services (Individual)

Method of Procurement	Thresholds for Methods
Competitive Selection	Must meet the requirements of Section V, Para 5.1 to 5.5 of the Consultant Guidelines.
Single Source Selection (SSS)	Must meet the requirements of Section V, Para 5.6 of the Consultant Guidelines and with prior agreement in PP with the Bank

2.6 Prior review arrangements

The Procurement Plan shall set forth those contracts, which shall be subject to the Bank's Prior Review. The following would be subject to Prior review of the Bank regardless of the Method of selection:

- (a) Works: First procurement under the project irrespective of value and all procurements estimated to cost more than USD 10 million (INR 650 million)
- (b) Goods: First procurement under the project irrespective of value and all procurements estimated to cost more than USD 2 million (INR 130 million) ; and
- (c) Consulting Firm: First procurement under the project irrespective of value and all procurements estimated to cost more than USD 1 million(INR 65 million)
- (d) Individual Consultant: all procurements estimated to cost more than USD 300,000(INR 19.5 million)

Terms of Reference (ToR) for critical and complex consultant contracts shall be furnished to the Bank for its prior review and No Objection.

Chapter - 3: Procurement of Goods and Non-Consultancy Services

3.1 Procurement Methods

1. International Competitive Bidding (ICB)
2. Limited International Bidding (LIB)
3. National Competitive Bidding (NCB)
4. Shopping
5. Direct Contracting
6. Framework Agreement

3.2 International Competitive Bidding (ICB):

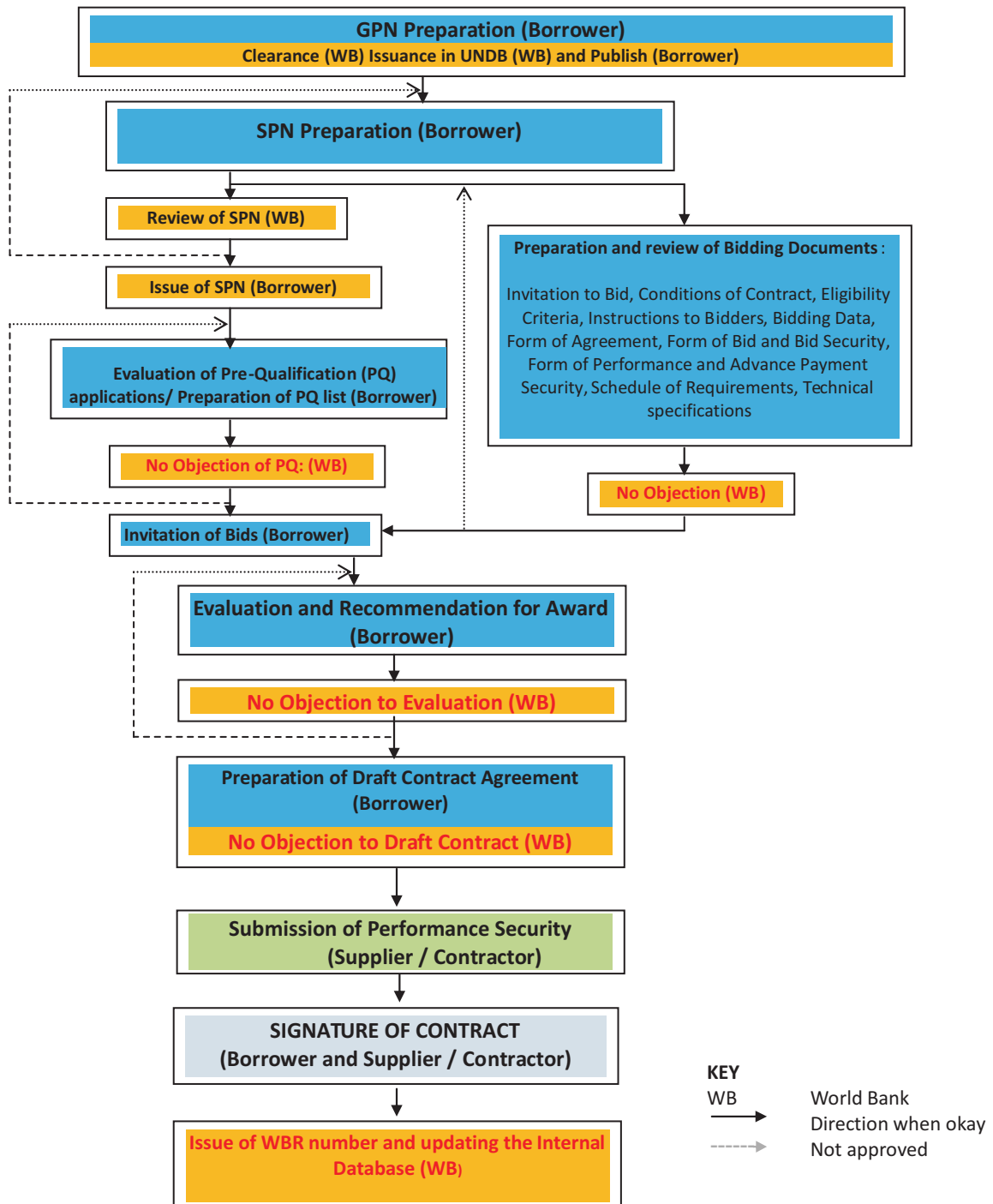
ICB is generally adopted where supplies cannot be met from indigenous sources and need import, and/ or foreign firms are expected to participate resulting in more competition. ICB is the preferred method of procurement, Provisions of Section II of the Guidelines shall apply.

Requirement:

- Publication of General Procurement Notice, followed by specific Invitation for Bids (IFB) in United Nations Development Business online (UNDB online) and in the Development Gateway's dgMarket Bank will arrange for its publication.
- Transmission of IFB to embassies and trade representatives of countries of likely suppliers/ contractors of the equipment and materials required and also to those who have expressed interest in response to the General Procurement Notice;
- Publication of IFB in at least one national newspaper having wide circulation in all regions of country;
- Publication of IFB in the departmental website
- Use of Bank's Standard Bidding Document;
- Sale of bidding document to start only after publication of IFB in UNDB and national newspaper(s);
- Bidding period 45 to 90 days from date of start of sale of bidding documents.

Salient Steps:

FLOW CHART FOR PROCUREMENT OF WORKS / GOODS



1. Notification/Advertising;
2. Issue of Bidding Document;
3. Submission of Bids;
4. Public opening of bids;
5. Evaluation;
6. Selection of lowest evaluated responsive bid based on post qualification
7. Contract Award; and
8. Contract performance provisions of section II of the Guidelines and paragraph 5 of Appendix I there to shall apply. Please refer to the Procurement Guidelines and ready reckoner is provided before preparation of bid document, evaluation and determination of lowest evaluated substantially responsive bid and award of contract.

Table 6 : Ready Reckoner for Salient Paragraphs of Guidelines for ICB method

	Description	Paragraphs of Procurement Guidelines
1.	Eligibility Requirements	1.8, 1.9 and 1.10
2.	Joint Ventures	1.12
3.	Notification and Advertising	2.7 and 2.8
4.	Bidding Documents	2.11 to 2.43
5.	Validity of Bids and Bid Security	2.13 and 2.14
6.	Clarity of Bidding Documents	2.16, 2.17 and 2.18
7.	Price Adjustment	2.24 and 2.25
8.	Currency of Bid	2.28, 2.29 and 2.30
9.	Currency Conversion for Bid Comparison	2.31
10.	Currency of Payment	2.32 and 2.33
11.	Performance Security	2.39 and 2.40
12.	Liquidated damages	2.41
13.	Sale of Bidding documents	2.44 and 2.45
14.	Evaluation of Bids	2.48 to 2.54
15.	Domestic Preference	
16.	Post qualification of Bidders	2.58
17.	Rejection of all Bids	2.61 to 2.64
18.	Extension of validity of Bids	2.57
19.	Award of Contract	2.59
20.	Publication of the Award of contract	2.60

3.3 National Competitive Bidding (NCB)

Provisions of paragraphs 3.3 and 3.4 of the Guidelines shall apply for NCB contracts. National Competitive Bidding is a competitive bidding advertised nationally for procuring goods/ works, which by their nature or scope are unlikely to attract foreign competition. Currency specified shall be Indian Rupees for bidding as well as payment. However, foreign bidders are not to be precluded from participation, if they wish to bid, but they are also to be paid only in Indian Rupees. Domestic preference will not be applicable.

²Bank does not favour negotiations even with the lowest evaluated responsive bidder

Requirement

- Publication of IFB/advertisement (abridged version) in newspapers having wide circulation in the country;
- Publication of IFB or advertisement (abridged version) in the departmental website
- Sale of bidding documents to start only after publication of IFB in newspapers
- If foreign firms wish to participate they will be allowed to do so.

The agreed procedure for **National Competitive Bidding (NCB)** is as under:

- (i) Only the model bidding documents for NCB agreed with the GOI Task Force (and as amended for time to time), shall be used for bidding;
- (ii) Invitations to bid shall be advertised / abridged version in at least one widely circulated national daily newspaper, **or on a widely-used website or electronic portal with free national and International access along with abridged version full advertisement being widely circulated national daily newspaper inter-alia giving the website/electronic portal details from which the details of the invitation to bid can be downloaded**, at least 30 days prior to the deadline for the submission of bids;
- (iii) 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;
- (iv) Except with the prior concurrence of the Bank, there shall be no negotiation of price with the bidders, not even with the lowest evaluated bidder;
- (v) Extension of bid validity shall not be allowed with respect to contracts subject to Bank Prior Review without the prior concurrence of the Bank (i) for the first request for extension, if it is longer than 4 weeks; and (ii) 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);
- (vi) Re-bidding shall not be carried out with respect to contracts subject to Bank Prior Review, 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;
- (vii) Rate contracts entered into by the DGS&D will not be acceptable as a substitute for NCB procedures unless incorporation of right to audit and fraud corruption clauses. DGS&D contracts will be acceptable, however, for any procurement under the shopping procedures;
- (viii) Two or three envelope system will not be used (except when using the e-procurement system assessed and agreed by the Bank).
- (ix) No negotiations are conducted even with the lowest evaluated responsive bidders.

NCB broadly consist of the following steps:

STEP 1: PREPARATION OF TENDER DOCUMENT

- The tender documents shall furnish all information necessary for a prospective bidder to prepare a tender for the goods/ works to be provided.
- The bid document should invariably contain standard bidding and contract conditions to make it self-explanatory. Some of the mandatory requirements in a bid document include- Invitation \for bids (IFBs), Instructions to Bidders (ITBs), Contract Data including Bill/ Schedule of Quantities (BOQ), General Terms & Conditions, Award Criteria, Notification of Award, Execution of Contract, Quality Control, Payment Terms, Taxes and Duties, Completion Certificate, Warranty/ Defect Liability, Drawings, Dispute Resolution, Arbitration, Force Majeure, etc.

- Bill/ Schedule of quantities (BOQ) will indicate the description of items to be provided along with quantities and the phased manner in which the goods/ works are required to be delivered or constructed.
- Bidding documents should state clearly whether the bid prices will be fixed or price adjustments will be made to reflect any changes in major cost components of the goods/ works.

STEP 2 : ADVERTISEMENT

- Timely notification of bidding opportunities is essential in competitive bidding. Invitations shall be published in daily newspapers with wide circulation, at least in one national English and one regional language daily.
- The detailed advertisement should also be placed in official website and provide brief advertisement in the newspaper to minimize the cost of procurement.
- The minimum time given for submission of bids shall be not less than 30 days from the date of sale of bid document.
- The last date and time of sale and receipt of bid document should be clearly indicated in the notification/ advertisement.

STEP 3 : ISSUE OF BID DOCUMENT

- Sale of bid documents should begin only after the publication of notification for tender in newspapers.
- Bid documents should be made available to all who seek them after paying the requisite fees, if any, 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. Bidding documents will be sold till one day prior to the opening of the tenders.
- Bids can be sold from different places but the bid/ tenders shall be received at one place only, to avoid problems arising out of late/delayed tender submission.
- Bid documents can also be made downloadable from Institute website. However, the downloaded tender documents must be submitted with requisite tender fees in the form of Bank DD without the tender shall be rejected summarily.

STEP 4 : OPENING OF BIDS

- The time, date and venue for the tender opening shall be mentioned in the IFB and bid documents.
- Bids should normally be opened immediately after the deadline of time fixed for submission on the same day.
- Tenders shall be opened in public. The bidders or their representatives shall be allowed to be present at the time of opening of bids.
- All tenders received should be opened. No bid should be rejected at the time of bid opening except for late tenders. Late tenders shall be returned to the bidders unopened.
- The name of the bidder and total amount of each bid along with important conditions like excise duty, sales tax, delivery terms, delivery period, special conditions and discounts, if any, shall be read out at the time of bid opening. Withdrawal notices and modifications to the tender shall be read out first followed by the tender of the bidder.
- Minutes of bid opening must be prepared by bid opening officials and should be signed by all members present including bidders.
- Any kind of discounts offered shall be mentioned in the bid opening document clearly.

STEP 5 : BID EVALUATION AND COMPARISON

- The criteria 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.
- 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.
- 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.
- The conditional discounts offered by the bidder shall not be taken into account for evaluation. This however does not apply to cross-discounts.
- 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 the contract.

STEP 6 : AWARD OF CONTRACT

- Implementing agency shall award the contract within the period to all aspects to the bidders who has the necessary technical capability and financial resources and whose bid is substantially responsive to the tender documents and has 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 capability to produce the required quantity and also 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 or reasonable price after approval of the appropriate authority.

Single bids should also be considered for award, if it is determined that publicity was adequate, bid specification/ conditions were not restrictive or unclear and bid prices are considered reasonable in comparison to estimated price.

3.4 Shopping (Paragraph 3.5 of Procurement Guidelines)

The following consideration should be kept in view for adopting this procedure:

- Shopping is a Procurement method based on comparing price quotations obtained from several national suppliers, usually at least three to ensure competitive prices.
- Shopping is intended to be a simple and rapid procurement method and is one of the least competitive procurement methods and may be abused unless it is carried out in compliance with legal agreements and observing a minimum formality in the process and with appropriate record keeping for verification and audit.
- Shopping should not be used as an expedient to by-pass more competitive methods or fraction large procurement into smaller ones solely to allow the use of Shopping.
- To procure small amounts of off-the-Shelf goods or Standard Specification Commodities or simple civil works for which more competitive methods are not justified on the basis of cost or efficiency.

- Request for quotation shall be written and sent by letter and can also be displayed in the Institute website.
- The request shall include the description and quantity of the goods as well as the required delivery time and place for the goods or services, including any installation requirements as appropriate.
- The request shall indicate the date by which the quotations are needed.
- Prices for goods supplied from within the country (including previously imported items) are requested to be quoted EXW (ex-works, ex-factory, ex-warehouse, ex-showroom or off-the-shelf, as applicable) including all custom and excise duties and sale and other taxes already paid or payable on the raw materials and components; for goods offered from abroad (i.e., not previously imported) prices are requested CIF or CIP or DDU basis (in case of large purchases).
- In case of civil works prices shall be requested inclusive of all taxes and duties payable by the contractor.
- Requests should be addressed to more than three firms that are reputable, well established and are suppliers of the goods or services being purchased, as part of their normal business (after verifying whether those being invited will make an offer or not) to ensure at least three quotations are received; In case unsolicited quotation are received, they may be accepted after carrying out a similar due diligence exercise to verify the nature and reputation of firm.
- Quotation should be submitted in writing i.e., by fax, telex, or letter (copies to be kept for records).
- No bid securities are required.
- Normally, requests for quotes should indicate the expected date of submission of quotes with a minimum of 10 days from the date of issue of request.
- If the Purchaser has not received at least three quotations within the time set, it should verify with the suppliers who have not submitted quotation, whether they intend to do so and how soon.
- Quotation should be compared after adding to the quoted price for goods, the estimated cost of inland transportation and insurance, if any, to the final destination. The lowest responsive offer is selected.
- Purchaser may exercise discretion in selecting a quotation that is not the lowest priced as far as there is good technical justification on the quality of the offered item, suitability of delivery schedule, etc. In such cases, such requirements should be indicated in the request for quote as well as in the evaluation note.
- Award decision and its rationale should be documented/ and kept for review by audit by the Bank (or by the Bank's auditors) as needed. The record should contain the list of firms invited, and the list and value of quotations received, comparative statements etc. The documents should clearly show that the award is based on sound technical and commercial criteria.

Use of DGS&D rate contracts is allowed in lieu of shopping (viz. upto US\$ 100,000) in Bank financed Projects.

To improve efficiency and transparency of small value purchases in Bank financed projects, it is proposed to allow use of Government e-Market place (GEM) in lieu of shopping up to a contract ceiling prescribed by the World bank from time to time (**currently US\$ 30,000**), **provided the Borrower records reasonableness of price while taking the decision** (as unlike rate contracts, DGS&D does not negotiate price while allowing a supplier to offer its item through GEM). **GEM will however be not a replacement of NCB irrespective of value.**

Purchase order shall incorporate the terms of accepted offer.

Table 7 : Important Aspects for Shopping method

Important Aspects	Brief Description
Advertisement	No need for advertisement in newspapers, however the advertisement can be placed in the official website
Minimum Quotations	3 quotations.
Time for Bid Submission	Not less than 10 days
Negotiation	There should not be any negotiations either for price or terms & conditions of the tender submitted with suppliers.
Validity of Request for Quotation (RFQ)	1. Bidders shall be required to submit their quotation valid for the period specified in the RFQ. 2. Generally, 30 to 40 days for Shopping.
Earnest Money/ Bid Security	Not required.
Examination of Quotations	1. The Implementation Authorities entrusted with evaluation of Supplier's / Contractor's shall ascertain whether quotations a. meet the eligibility requirements specified; b. have been properly signed; c. are valid for the period specified in the RFQ document; d. are substantially responsive (commercially and technically) to the RFQ; and e. are otherwise generally in order. 2. If the bidder meets the above stipulations indicated in the RFQ, it is determined as substantially responsive and is considered further for evaluation.
Terms & Methods of Payment	Payment terms should be 90% payment after delivery to the consignment and acceptance and balance 10% after certification of the goods or in accordance with the practices applicable to the specific goods and works.
Warranty	Comprehensive Warranty (Onsite/Parts / Labour)

3.5 Framework Agreements:

Provisions under paragraph 3.6 of the Guidelines shall apply for procurement under Direct Contracting. A Framework Agreement (FA) is a long-term agreement with suppliers, contractors and providers of non-consulting services which sets out terms and conditions under which specific procurements (call-offs) can be made throughout the term of the agreement. FAs are generally based on prices that are either pre-agreed, or determined at the call-off stage through competition or a process allowing their revision without further competition. FAs may be permitted as an alternative to the Shopping and NCB methods for:

- (a) goods that can be procured off-the-shelf, or are of common use with standard specifications;
- (b) non-consulting services that are of a simple and non-complex nature and may be required from time to time by the same agency (or multiple agencies) of the Borrower; or
- (c) small value contracts for works under emergency operations.

The Borrower shall submit to the Bank for its no objection the circumstances and justification for the use of an FA, the particular approach and model adopted, the procedures for selection and award, and the terms and conditions of the contracts. FAs shall not restrict foreign competition, and should be limited to a maximum duration of 3 (three) years. FA procedures applicable to the project are those of the Borrowers that have been deemed acceptable by the Bank, and shall be described in the Loan Agreement. Maximum aggregate amounts for the use of an FA shall be set in the procurement plan in accordance with risks and in no case higher than the applicable NCB maximum aggregate amounts, and shall be agreed with the Bank. FAs shall follow all guiding principles and procedures of NCB under paragraphs 3.3 and 3.4, including but not limited to the procedures for advertisement, fair and open competition, an effective and independent protest mechanism, and transparent bid evaluation and selection criteria.

Borrowers have adopted different models of FAs under different names. The three most commonly used models, based on closed or open, one-stage or two-stage, competition methods, are:

- (i) "Closed FA" based on predefined criteria including for the award of "call offs", signed with one or multiple suppliers/contractors and not permitting new entrants during the duration of the agreement;
- (ii) "Closed FA" with a restriction on new entrants but conducted in two stages: a first stage to select more than one supplier/contractor, and a second stage when call-offs are decided through competition among suppliers/contractors selected at the first stage and the award is made to the lowest evaluated bidder based on the offered priced and delivery conditions; and
- (iii) "Open FA" also following a two-stage approach as per the above model, but without any restrictions on the participation of new entrants.

The NPMU is the process of preparing Empanelment Agreements (EA) for Hydro-Meteorological and Water Quality Equipment of various make and model. This relives the various PMUs spread across the country from the technical evaluation. They may choose the suitable make and model and request the empanelled providers to quote the price with agreed terms and conditions like delivery etc., advised to refer the Empanelment Agreements uploaded in the project website before initiating the procurement process.

Steps for Framework Agreements

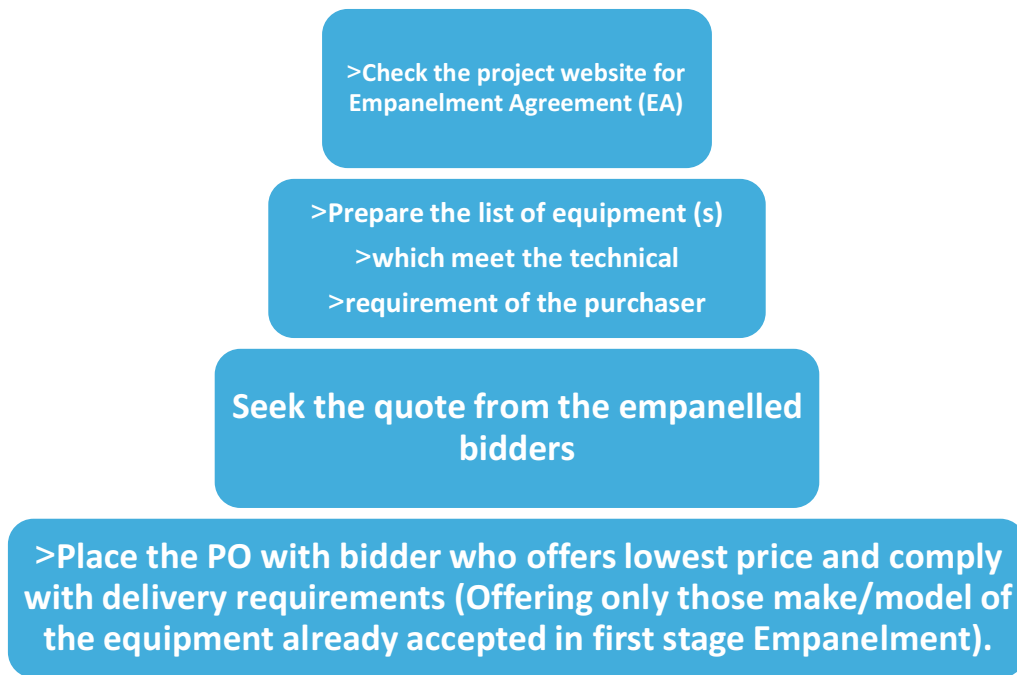


Figure 2 : Salient Steps for Framework Agreements

Note: DGS&D rate contracts may be used as framework agreement (FA) provided:

1. Use of DGS&D rate contracts as FA must be reflected on the procurement plan agreed by the Bank for particular goods.
2. Before issuing the purchasing order, the implementing agency will carry out a price analysis on the specific good that is intended to be purchased. If after this due diligence the implementing agency concludes (and Bank agrees) that the DGS&D rate contracts are more advantageous, DGS&D rate contracts may be used as FA.
3. To meet the Bank's requirements for right to audit and F&C, these clauses may be included in the Purchase Orders (in case the purchasers are directly placing the purchase orders to DGS&D rate contract holders). On the other hand, if indent is placed through DGS&D, the Purchaser has the option to sign a separate undertaking with DGS&D rate contract holder, where Bank's right to audit and F&C clauses could be mentioned.
DGS&D rate contracts are available on their website <http://dgsnd.gov.in>

3.6 Direct Contracting

Provisions under paragraph 3.7 of the Guidelines shall apply for procurement under Direct Contracting. Direct contracting without competition (single source) may be an appropriate method under the following circumstances and shall be used with prior agreement of the Bank:

- Extension of existing contracts for Works or Goods awarded with procedures acceptable to the Bank, justifiable on economic grounds;
- Standardization of equipment or spare parts to be compatible with existing equipment;
- Proprietary equipment obtainable only from one source;
- Process design requires the purchase of critical items from a particular supplier as a condition of a performance guarantee, and

- In exceptional urgent cases such as in response to natural disasters
- Direct contracting may be followed for procurement of items, if so specified in the Procurement Plans cleared with the bank

Steps

- Invite quotation proposal; and
- Issue purchase order

In respect of books and periodicals, direct order could be placed with the publisher at the published rate list. Discounts as given by the publisher himself (for example in book Exhibitions) could be availed of. However, if it is intended to procure the books or periodicals through an agent or dealer, quotations as per shopping procedures should be invited requesting for the competitive discounts which the agents would offer on the published rate list of books and periodicals, prepare comparative statement and place order with the lowest offer.

Designing, preparation of extension and publicity material (for example poster design, preparation of publicity material, slogans, street shows, demonstration etc. are works of art and are not amenable to competition. Hence such contracts should be awarded on direct contracting after obtaining an offer from the selected artist. However, printing of the extension and publicity material in required quantities and making copies of the posters etc. is simple works and should be procured through shopping procedures after obtaining quotations or through NCB procedures depending on the estimated to cost of the contract.

Procurement of software, which is proprietary in nature can be procured from the developer himself or from an authorized reseller will come under the category of Direct Contracting. Bank strongly recommends procurement of software from the developer or authorized reseller to avoid possible piracy

Procurement of an item of equipment of a particular brand is erroneously treated as proprietary equipment. This is not correct. Proprietary equipment is one, which is obtainable from one source only. If the equipment is to be procured through authorised agents, then adopt the appropriate procurement procedure based on the estimated to cost. However, spares for equipment already available with the purchaser (if such spares are not available in the market at competitive prices and further the procurement of such spares from the market would bring down the efficiency of the equipment) could be procured on direct contracting basis.

3.7 Important aspects for consideration in Procurement of Goods

Bidding documents issued by the Bank should be used with minimum changes, acceptable to the Bank as necessary to address project specific issues. Government of India in consultation with the Bank has finalized and issued India specific bidding documents for Works, Goods, and contracts. Project specific changes shall be introduced only through bid for contract data sheets or through special conditions of contract and not introducing changes in the standard wordings of the instructions to the Bidders, General Conditions of Contract of the Bank's Bidding Documents. New Delhi office of the Bank has formulated the additional bidding documents suitable for specific procurements. Thus the bidding documents available for use are displayed in the website www.indiawrm.org :

- a. NCB bidding document for supply of Goods and Equipment.
- b. NCB bidding document for Civil Works costing less than the equivalent of US\$ 20 million
- c. NCB bidding document for Civil Works costing more than equivalent of US\$ 40 million;

For procurement of other specialized equipment, appropriate modifications are to be made in the above referred NCB Bidding Document for Goods & Equipment.

Guidance on critical components of the bidding documents is given in Paragraphs 2.13 to 2.43 of the Guidelines. Some of these points with reference to goods and works procurement are highlighted hereunder:

3.7.1 For procurement of goods, the following points, salient terms and conditions may be kept in view:

Specifications: The specifications of the required goods/ equipment should be clearly stated without any ambiguity, so that the prospective bidders can send meaningful bids. In order to attract sufficient number of bids, the specifications should be broad-based to the extent feasible. A technical committee may be constituted to review and finalize the specifications. Finalization of specifications should also be essentially based on a market survey of available models and their specifications. Consider only salient parameters, which helps the evaluators to evaluate and arrive at the recommendation. Required Goods may be specified by using measurable Functional/ Operational Parameters, Physical Parameters, Support requirements and the essential spare parts, accessories and Tools. To enable participation of the potential bidders with product range, advised to specify desired parameters with range/band rather than the exact number. In cases where performance / output is important, also specify the requirement with the help of performance specifications. The range specifications should always desirable with the required accuracy (for example: Weighing machine measures 20 – 200 gm with the accuracy of +/- 1 milli gram).

Warranty: Warranty and Annual Maintenance Contract (AMC) for the duration of the life of the equipment are desirable but we have to be careful in prescribing the type of warranty and the duration. Prescribe **Comprehensive Warranty** (Parts/Labour/Onsite) in the conditions of the contract and also stipulate in the Purchase Order. The payment for Annual Maintenance Contract (AMC) after the warranty period may be paid in regular periodic intervals (Annual/Half Yearly/ Quarterly). Laboratory equipment may get obsolete with time and there is a need to replace them. Providing a very long warranty with AMC coverage may

therefore add to the cost without being fruitfully utilized as the length of commitment does have an effect on price. A Warranty with AMC coverage of around 5 years (2+3 years or 3+2 years, respectively) may be preferred to begin with. The AMC can be extended beyond this period if the equipment remains serviceable and is to be continued. The World Bank suggests that the Warranty period of Normal (12) / 24/36 months should be provided, only if it is an accepted industry standard for the equipment being procured. Otherwise, this may result in reduced competition and increased cost. The period should therefore, be stipulated after ascertaining the normal industry standards. Bank Guarantee (BG) coverage for AMC should invariably be obtained so that the supplier or his agent has continued interest in maintaining. the equipment.

Qualification Criteria: It may be desirable to buy a standard model befitting the laid down specifications rather than equipment tailor-made for the purpose. This is likely to give more trouble-free service; as such equipment has stood the test of time. In the qualification criteria

therefore, we may include that the bidder or his principal should have been manufacturing and supplying the particular equipment for say two or three years prior to bid opening. Qualification criteria like years of experience and extent of sales in the past have a bearing on quality as also on competitiveness. It is better to base them on a market survey. In case an Indian agent is to provide substantial incidental services it may be desirable to prescribe qualification criteria for the agent, in addition to the qualification criteria for the manufacturer/ supplier. The qualification criteria should prescribe in such a way that the incapable potential supplier should not qualify and on the other hand QC should not be restrictive enough to leave out capable potential bidders. The QC should be based on the broad understanding of potential bidders and their capacity.

Training: Training for use of critical equipment is necessary and should form part of the incidental services. However, free training at the manufacturers' end if located in a foreign country, will add to the cost and should be asked for only when it is considered essential. Otherwise non-utilization of this provision will only mean payment of a hidden cost remaining unused. Further the break-up of the cost of training must be obtained at the time of bidding itself. Also, the nature and scope of training should be clearly defined in the bid documents.

On-site Service: Unless onsite service is provided for both warranty and AMC, there may be problems, wherein the bidder may agree to provide replacement of parts but the work involved with documentation, import, customs clearance, insurance, etc. for replacement of parts may fall on the purchaser.

Consumer Certificates: Bidders are usually required to furnish certificates from their client/ consignee for satisfactory performance of the equipment supplied. If complete details are not given by the bidder, the purchaser is not able to verify. It is desirable to ask the bidder to provide the names of contact persons and their telephone numbers with a confirmation that the bidder has no objection to the purchaser verifying with the users.

Bid Evaluation Committees: It is better to constitute standing bid evaluation committees for major items of purchase, to avoid delays in approvals for constituting such committees each time. The Committee normally comprises of three members, i.e. one each from finance, user and technical wings.

Indian Laws: The Bidding Document should indicate that the relevant contract would be interpreted as per Indian Laws.

Successful Bidder: The following documents shall be disclosed on the ministry and IA websites: (i) procurement plan and updates, (ii) invitation for bids for goods and works for all ICB, NCB and shopping contracts, (iii) request for expression of interest for selection/hiring of consulting services, (iv) contract awards of goods and works procured following ICB/NCB procedures, (v) list of contracts/purchase orders placed following shopping procedure on quarterly basis, (vi) list of contracts following DC on a quarterly basis, (vii) monthly financial and physical progress report of all contracts, and (viii) action taken report on the complaints received on a quarterly basis.

Payment Schedule: The payment schedule should generally be: (i) ten percent as secured advance against performance security, (ii) Eighty percent on delivery and installation and certification from competent personnel to certify (iii) Ten percent on final acceptance including training etc., as prescribed in the contract. The payment schedule mentioned is only suggestive and the PMUs may revise/customize suitably including when the goods are originated from outside the country.

Chapter: 4 Procurement of Consulting Services

4.1 Main Consideration for Selection of Consultants

Bank policy on 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.

4.2 Methods for selection of Consultants

A comparison of the various steps across the above methods is presented below

Consultant Selection Process under Various Methods - A Comparison

Aspect	QCBS	FBS	LCS	QBS	CQS	SSS
Prepare ToR						
Prepare Cost Estimate						
Advertise for EOIs (2 weeks)						X
Prepare Shortlist of top 6 firms					Best Firm Shortlisted	X
Prepare and Issue RFP to 6 firms (4 weeks)					Issued to 1 firm	Issued to SS
Technical evaluation and rejection below pass mark					X	X
Commercial Evaluation and combined scores budget		T1 if within	L1 of tech qualified selected		X	X
Cost & Units Negotiated for Award	X	X	X	X		
Contract Negotiations (Tech & Tax)						
Award of Contract						

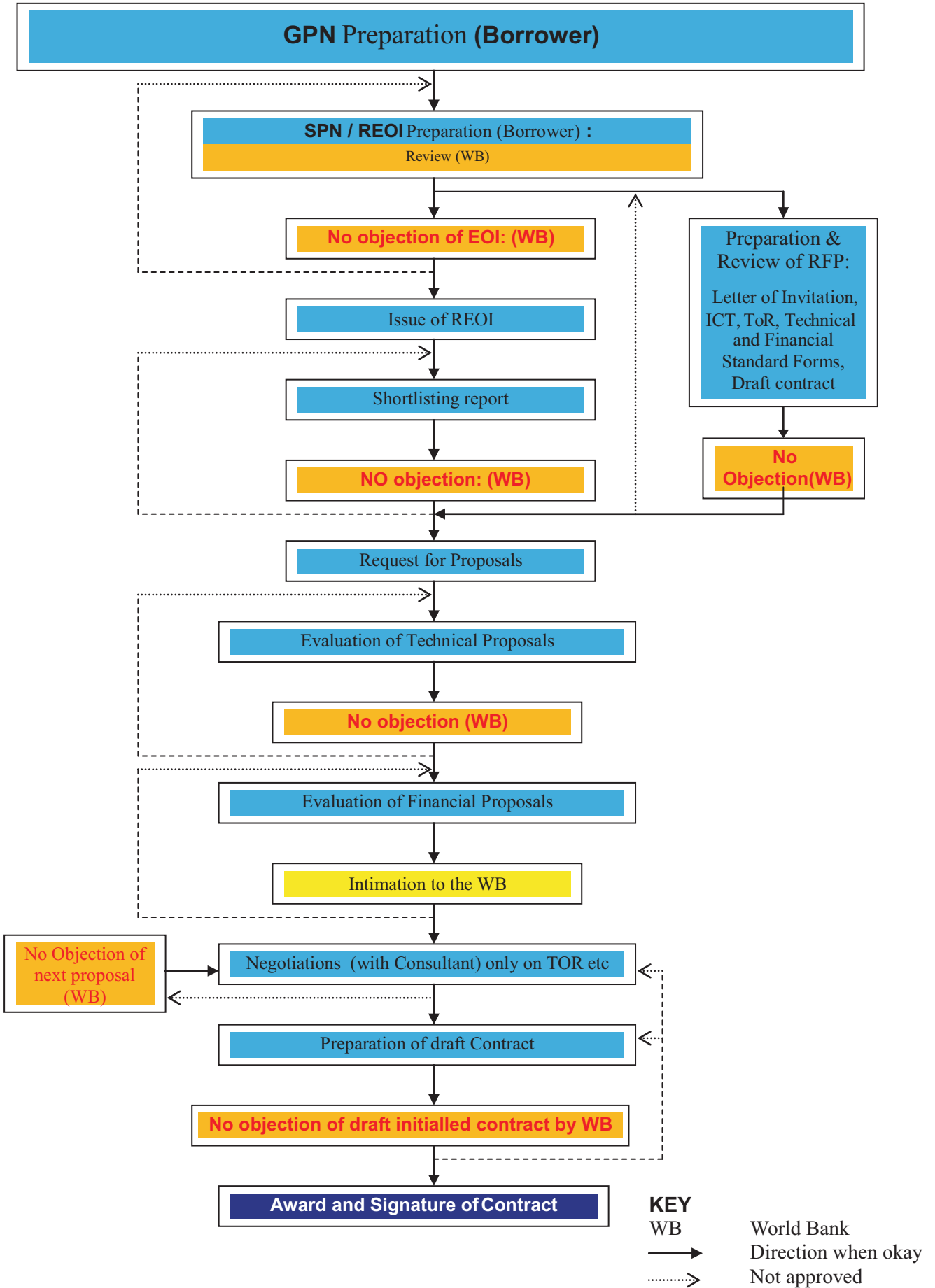
4.3 Quality and Cost based Selection (QCBS)

QCBS uses a competitive process among shortlisted firms that takes into account the quality of the proposals and the cost of the services in the selection of the successful firm. The relative weight to be given to the quality and cost shall be determined for each case depending on the nature of the assignment.

The selection process shall include the following steps:

1. preparation of Terms of Reference (TOR);
2. preparation of cost estimate and the budget;
3. advertising;
4. preparation of the short list of consultants;
5. preparation and issuance of the Request for Proposals (RFP); (Which should include: Letter of Invitation (LOI); Information to consultants (ITC); TOR and proposed draft contract);
6. receipt of proposals;
7. evaluation of technical proposals: consideration of quality;
8. public opening of financial proposals;
9. evaluation of financial proposal;
10. final evaluation of quality and cost; and
11. negotiations, and award of the contract to the selected firm. **(These steps are shown in a flow chart)**

FLOW CHART FOR PROCUREMENT OF CONSULTING SERVICES



STEP 1 : PREPARATION OF THE TERMS OF REFERENCE (TOR)

The Terms of Reference shall be prepared by a technical person who has expertise in the area of the assignment. The scope of the services described in the ToR shall be compatible with the available budget. ToR shall clearly define the objectives, goals and scope of the assignment and provide background information to facilitate the consultants' preparation of their proposals. However, ToR should not be too detailed and inflexible, so that competing consultants may propose their own methodology and staffing. The client and the consultants' respective responsibility should be clearly defined in the ToR.

The ToR developed shall include:

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

STEP 2 : PREPARATION OF COST ESTIMATE & BUDGET

The Cost Estimates or Budget should be based on the assessment of the resources needed to carry out the assignment, staff time, logistical support, and physical inputs (for example, vehicles, office space and equipment). Costs shall be divided in two broad categories, a) Fee or remuneration & b) Reimbursable costs. The cost of staff time shall be estimated on a realistic basis for all personnel involved in the assignment.

STEP 3 : ADVERTISEMENT FOR EXPRESSION OF INTEREST (EOI)

Advertisement in a prescribed format is issued in widely published newspapers to obtain expression of interest for the contract. In addition, contracts expected to cost more than US\$ 300,000 shall be advertised in UNDB online and in World Bank external website. Not less than 14 days from date of posting on UNDB online shall be provided for responses, before preparation of the shortlist.

STEP 4 : EVALUATION OF EOI TO SHORTLIST SIX FIRMS

If the assignment has been advertised and expressions of interest received, EOIs shall be evaluated to shortlist six firms. The short listing of six firms must be based on the eligibility criteria defined for EOI selection. The short list shall not include Individual Consultants. In contracts below US\$ 800,000 equivalent, shortlist may comprise national consultants only. Government owned enterprises can be considered for award of consultancy assignment provided they are otherwise eligible as per the Bank's guidelines.

STEP 5 : PREPARATION & ISSUANCE OF REQUEST FOR PROPOSAL (RFP) TO SHORTLISTED FIRMS

The RFP shall include,

- Letter of Invitation (LOI)
- Instructions to Consultants (ITC) with Data Sheet
- Technical Proposal - Standard Forms
- Financial proposals - Standard Form
- Terms of Reference (ToR)
- Standard Forms of contract

STEP 6 : RECEIPT OF PROPOSALS

The time allowed for submission of proposal shall depend on the assignment, but normally shall not be less than four weeks or more than three months. The firms may request clarifications about the information provided in the RFP. The clarifications must be given in writing and copy to all the firms. The technical and financial proposals shall be submitted at the same time but in different sealed envelopes. Any proposals received after the closing time shall be returned unopened.

STEP 7 : OPENING AND EVALUATION OF TECHNICAL PROPOSALS

The technical proposals shall be opened immediately by the committee, after the closing time for submission of proposals. The evaluation of the proposals will be in two stages first quality and then cost.

STEP 8 : PUBLIC OPENING OF FINANCIAL PROPOSALS OF FIRMS TECHNICALLY QUALIFIED

The financial proposals shall remain sealed until opened publicly. Financial proposals shall be opened only after completing the technical evaluation and receiving no objection for the same from the Bank.

STEP 9 : COMBINED EVALUATION OF TECHNICAL AND FINANCIAL PROPOSALS

The total score shall be obtained by weighing the quality and cost scores and adding them. The weight for the cost shall be chosen, taking into account the complexity of the assignment and the relative importance of quality. The weight for cost shall normally be 20 points out of a total score of 100. The proposed weightings for quality and cost shall be specified in the RFP. The firm obtaining highest total score shall be invited for the negotiations.

STEP 10 : NEGOTIATION AND AWARD OF CONTRACT

Negotiations shall include discussions of the TOR, the methodology, staffing, client's inputs, and special conditions of the contract. These discussions shall not substantially alter the original TOR or the terms of the contract, lest the quality of the final product, its cost, and the relevance of the initial evaluation be affected. Major reductions in work inputs should not be made solely to meet the budget. The final TOR and the agreed methodology shall be incorporated in "Description of Services," which shall form part of the contract.

The selected firm should not be allowed to substitute key staff, unless both parties agree. If this is not the case, the firm may be disqualified and the process continued with the next ranked firm. The key staff proposed for substitution shall have qualifications equal to or better than the key staff initially proposed.

Financial negotiations shall include clarification of the consultants' tax liability and how this tax liability has been or would be reflected in the contract. As Lump-Sum Contracts payments are based on delivery of outputs (or products), the offered price shall include all costs (staff time, overhead, travel, hotel, etc.). Consequently, if the selection method for a Lump-sum contract included price as a component, this price shall not be negotiated. In the case of Time-based Contracts, payment is based on inputs (staff time) and the offered price shall include staff rates and an estimation of the amount of reimbursable. When the selection method includes price as a component, negotiations of staff rates should not take place, except in special circumstances, like for example, staff rates offered are much higher than typically charged rates by consultants for similar contracts. Consequently, the prohibition of negotiation does not preclude the right of the client to ask for clarifications, and, if fees are very high, to ask for change of fees, after due consultation with the Bank. Reimbursable are to be paid on actual expenses incurred at cost upon presentation of receipts and therefore are not subject to negotiations. However, if the client wants to define ceilings for unit prices of certain reimbursable (like travel or hotel rates), they should indicate the maximum levels of those rates in the RFP or define a per diem in the RFP.

If the negotiations fail to result in an acceptable contract, the client shall terminate the negotiations and invite the next ranked firm for negotiations. The Bank shall be consulted prior to taking this step.

4.4 Quality Based Selection (QBS)

QBS is appropriate for the following type of assignments where (a) Complex or highly specialised assignments for which it is difficult to define precise TOR. (b) Assignments that have a high downstream impact (c) Assignments that can be carried out in substantially different ways. The financial proposal of the highest qualified firm is opened and other financial proposals will be returned unopened after signing of the contract with highest qualified service provider. If the negotiation failed, then next highest technically qualified service provider to be called for the negotiation.

4.5 Selection under a Fixed Budget System (FBS)

This method is appropriate only when the assignment is simple and can be precisely defined and when the budget is fixed. The RFP shall indicate the available budget and request the consultants to provide their best technical and financial proposals in separate envelopes, within the budget. Evaluation of all technical proposals shall be carried out first as in the QCBS method. Then the price proposals shall be opened in public and prices shall be read out aloud. Proposals that exceed the indicated budget shall be rejected. The Consultant who has submitted the highest ranked technical proposal among the rest shall be selected and invited to negotiate a contract

4.6 Least Cost Selection (LCS)

This method is only appropriate for selecting consultants for assignments of a standard or routine nature (audits, engineering design of noncomplex works, and so forth) where well-established practices and standards exist. Under this method, a "minimum" qualifying mark for the "quality" is established. Proposals, to be submitted in two envelopes, are invited from a short list. Technical proposals are opened first and evaluated. Those securing less than the minimum qualifying mark are rejected, price shall then be selected.

4.7 Selection based on the Consultant's Qualification (CQS)

This method may be used for small assignments for which the need for preparing and evaluating competitive proposals is not justified. In such cases, prepare the TOR, request expressions of interest and information on the consultants' experience and competence relevant to the assignment, establish a short list of least three qualified firms with relevant experience. Firms having the required experience and competence relevant to the assignment shall be assessed and compared, and the best qualified and experienced firm shall be selected. Only the selected firm shall be asked to submit a combined technical and financial proposal and, if such proposal is responsive and acceptable, be invited to negotiate a contract. Both technical and financial aspects of the proposal may be negotiated.

4.8 Single Source Selection (SSS)

Provision of paragraph 3.8 to 3.11 of the guidelines shall apply. Single-source selection of consultants does not provide the benefits of competition in regard to quality and cost, lacks transparency in selection, and could encourage unacceptable practices. Therefore, single-source selection shall be used only in exceptional cases Single Source Selection may be appropriate only, if it presents a clear advantage over competition:-

- (a) for tasks that represent a natural continuation of previous work carried out by the firm.
- (b) in emergency
- (c) for very small assignments
- (d) when only one firm is qualified or has experience of exceptional worth for the assignment.

4.9 Selection of Individual Consultants (IC)

Provisions of paragraph 5.1 to 5.4 of the guidelines shall apply. 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.

Steps

Individual consultants are selected on the basis of their qualifications for the assignment

- Advertisement is not required
- Consultants do not need to submit proposals
- 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 Borrower.
- Individual consultants may be selected on a sole source basis with due justification in exceptional cases such as:
 - (a) continuation of previous work that the consultant had carried out and for which the consultant was selected competitively.
 - (b) 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.

4.10 Few Salient Consideration for Procurement of Consultants

4.10.1 General Considerations

- a. The need for high quality services;
- b. The need for economy and efficiency;
- c. The need to give qualified consultants from all eligible countries an opportunity to compete in providing the services financed by the Bank;
- d. The Bank's interest in encouraging the development and use of national consultants in its developing member countries; and
- e. The need for transparency in the selection process.

Steps for Hiring Consultants

- Preparation of the Terms of Reference (ToR);
- Preparation of the cost estimate and the budget;
- Advertising;
- Preparation of the shortlist of consultants;
- Preparation and issue of the Requests for Proposal (RFP);
- Receipt of Proposals;
- Evaluation of Technical Proposals: Consideration of quality;
- Evaluation of Financial Proposals;
- Final Evaluation of Quality and Cost; and
- Negotiations and Award of Contract to the Selected Firm.

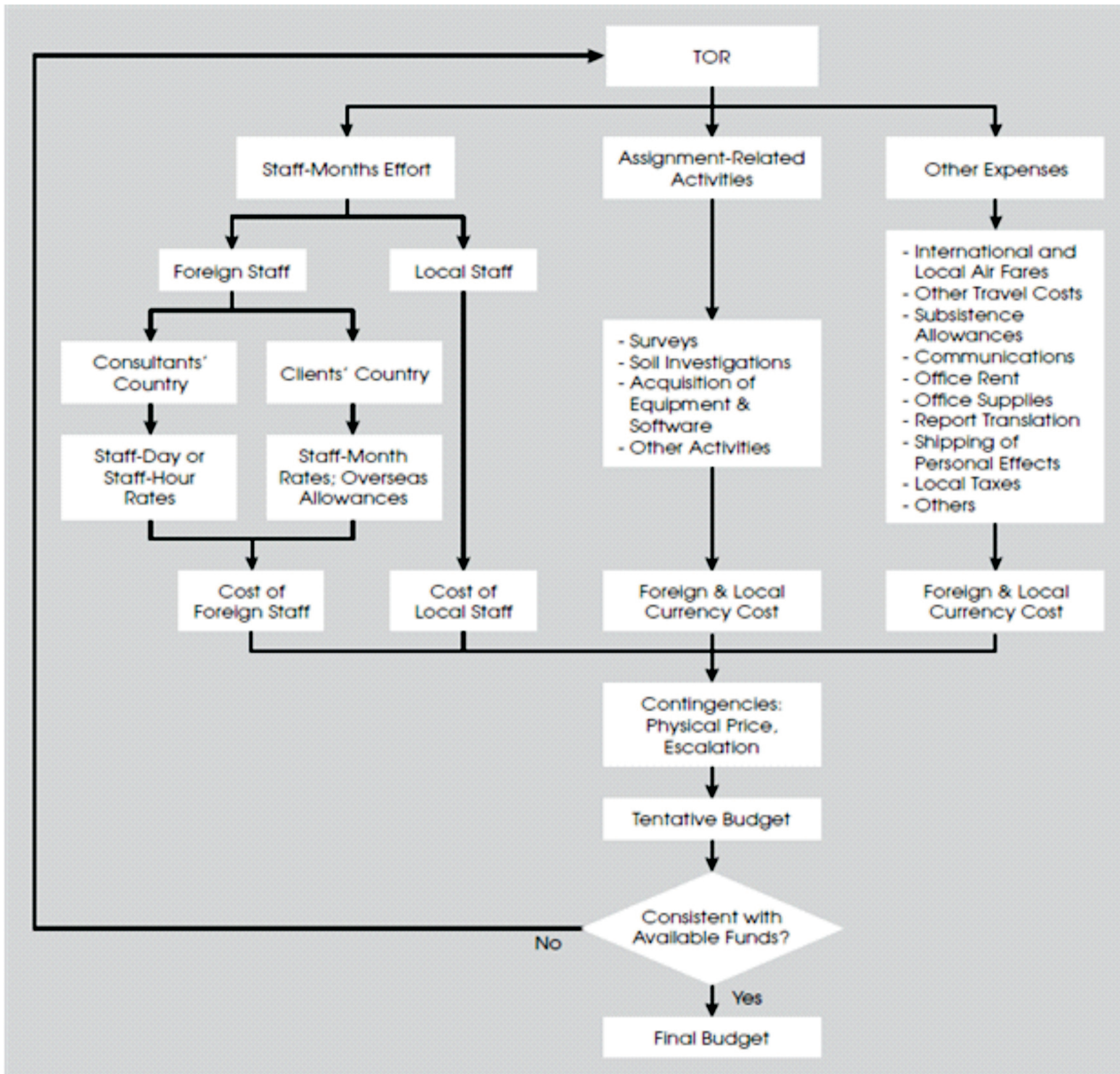
4.10.2 Terms of Reference (TOR) {refer paragraph 2.3 of Consultant Guidelines}

The Project is responsible for preparing the TOR for the assignment. TOR shall be prepared by person(s) or a firm specialized in the area of the assignment. The scope of the services described in the TOR shall be compatible with the available budget. TOR shall define clearly the objectives, goals, and scope of the assignment and provide background information (including a list of existing relevant studies and basic data) to facilitate the consultants' preparation of their proposals. If transfer of knowledge or training is an objective, it should be specifically outlined along with details of number of staff to be trained, and so forth, to enable consultants to estimate the required resources. TOR shall list the services and surveys necessary to carry out the assignment and the expected outputs (for example, reports, data, maps, surveys). However, TOR should not be too detailed and inflexible, so that competing consultants may propose their own methodology and staffing. Firms shall be encouraged to comment on the TOR in their proposals. The Employer's and consultants' respective responsibilities should be clearly defined in the TOR.

TOR should contain sufficient background information on both the assignment and the project to enable invited consultants to prepare responsive proposals. TOR should generally include the following:

No	Broad Contents of ToR	Typically may include details on
i)	Background information on the project and the assignment	<ul style="list-style-type: none"> • name of the Borrower; • project location; • rationale of the project; • project history (works done so far and by whom); • list of relevant studies and basic data; • need for consultants in the project; • issues to be resolved; • activities to be carried out by the consultants; • source of financing for the assignment; and supervision arrangements.
ii)	Precise statement of the objectives of assignment investment is made;	<ul style="list-style-type: none"> • preparation of development programs; • determination of project feasibility before an • design of projects; • preparation of bidding documents; • supervision of works; • provision of training; • collection and analysis of data; and • evaluation of Borrower assets for sale, such as in privatization projects.
iii)	An outline of the tasks to be carried out (Scope of services) including transfer of knowledge, if any.	<ul style="list-style-type: none"> • The scope of services should be consistent with the staff-month estimate or the estimated cost of the services. • definition, scope, limits, and criteria of acceptance of the assignment; • desired level of detail (level of design, accuracy, composition of cost estimates, and so forth); • 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 analyses, and models; • special equipment requirements; • institutional and legal framework of the project; • transfer of knowledge, objectives, and scope; • language requirements; • units of measurement to be used; • need for continuity, such as data gathering; • quality management requirements (if needed); • if applicable, types of training services; training approaches and methods and tools.
iv	Schedule for completion of tasks	<ul style="list-style-type: none"> • The completion schedule to be consistent with payment terms and consultancy period.

v)	Description of key professionals	<ul style="list-style-type: none"> • The list of key professionals whose CVs would be evaluated along with the required qualifications and experience for each key professional.
vi)	Outputs and Deliverables (List of reports, schedule of deliveries, period of performance etc.)	<ul style="list-style-type: none"> • Inception Report • Progress Reports • Interim Reports • Technical Design & Drawings • Data Sets • Final Report • Number of copies of reports • Schedule of deliveries of outputs
vii)	Data, services, personnel, and facilities to be provided by the Client	<ul style="list-style-type: none"> • Facilities may include office space, vehicles, survey equipment, office and computer equipment, and telecommunication systems. • Personnel may include Counterpart Staff
viii)	Composition of review . committee to monitor consultants' work	<ul style="list-style-type: none"> • Institutional setup, Roles and responsibilities, Hierarchy and Authorities of Client's Personnel
viii)	Procedure for review of progress reports, inception, status, final draft and final reports	<ul style="list-style-type: none"> • Review Timeline

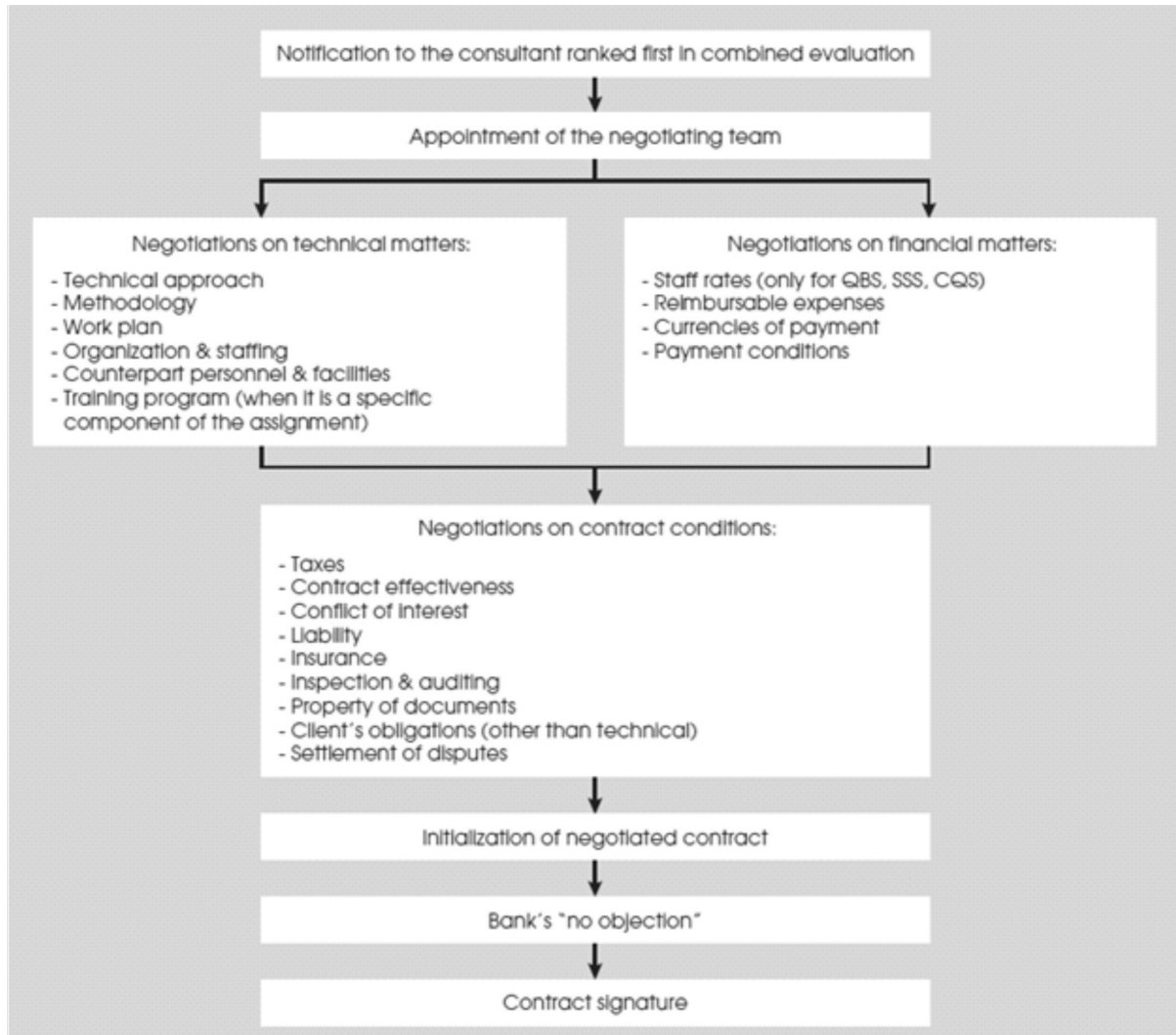


4.10.3 Cost Estimate (Budget) {refer paragraph 2.4 of Consultant Guidelines}

Preparation of a well-thought-through cost estimate is essential if realistic budgetary resources are to be earmarked. The cost estimate shall be based on the client's assessment of the resources needed to carry out the assignment as per the ToR: expert's time, logistical support, and physical inputs (e. g. vehicles, laboratory equipment etc.). The costs shall be divided into two broad categories: (a) fee or remuneration (according to the type of contract used) and (b) reimbursable items and further divided into foreign and local costs. The cost of experts' time inputs shall be estimated based on a realistic assessment of required international and national expertise. The RFP shall indicate either the estimated level of experts' time inputs or the estimated total cost of the contract, but not both. The details of the estimate shall not be indicated. The various cost items to be considered for preparing estimates are as follows:

Table 8 : Preparation of the Cost Table for Constancy Services

No	Broad items of Costs	Typically may include details on
i)	Remuneration:	
a)	Fee or remuneration of various professional Staff/ Experts and support staff	<ul style="list-style-type: none"> • Total Fee (Considering Daily/ Monthly Rates and person-days/ months required); • Social Costs; • Consultancy Organization overhead.
ii)	Reimbursables:	
a)	Mobilization & Demobilization costs, if necessary.	<ul style="list-style-type: none"> • Relocation expenses, travel, transport, temporary housing, storage, miscellaneous, etc.
b)	Communication, Surveys and training programmes	<ul style="list-style-type: none"> • The costs of these activities.
c)	Office Costs	<ul style="list-style-type: none"> • Office Rent • Office Supplies • Computer's/printers/fax/scanner operational cost • Communication, Telecommunication. Postage • Office Equipments & Furniture costs (usage)
d)	Office visits, Field visits, Survey visits etc.	<ul style="list-style-type: none"> • Air Travel/ Rail Travel/ Local Travels • Vehicles/ motorcycles hiring • Staff allowances, per diem – lodging & boarding • Field equipment costs – for surveys, tests, etc. • Laboratory equipments • Logistics support • Per Diem, staff allowances
e)	Report Preparation and submission	<ul style="list-style-type: none"> • Costs of Data sets/ maps etc. • Cost of data entry & analysis • Typing • Translation • Printing, Photocopying, binding
f)	Financial costs	<ul style="list-style-type: none"> • Insurance • Duties • Taxes
g)	Contingencies	



4.10.4 Other Considerations

Government-owned enterprises in the Borrower's country may participate only if they can establish that they:

- Are legally and financially autonomous, and
- Operate under prevalent commercial law.

No dependent agency of the Borrower or Sub-borrower of the project shall be permitted to submit or participate in a proposal for the provision of consulting services under the project.

4.10.5 Evaluation of the Quality {refer paragraph 2.15 to 2.19 of Consultant Guidelines}

The Borrower shall evaluate each technical proposal (using an evaluation committee of three or more specialists in the sector), taking into account several criteria:

- (a) the consultant's relevant experience for the assignment,
- (b) the quality of the methodology proposed,
- (c) the qualifications of the key staff proposed,
- (d) transfer of knowledge, and
- (e) the extent of participation by Nationals among key staff in the performance of the assignment.

Each criterion shall be allotted marks so as to make total maximum

technical score as 100. The criteria and weightage to each criteria or sub-criteria would depend on the requirements of each case and may be fixed objectively.

The Borrower shall normally divide these criteria into sub criteria. For example, sub criteria under methodology might be innovation and level of detail. However, the number of sub criteria should be kept to the minimum that is considered essential. The weight given to experience can be relatively modest, since this criterion has already been taken into account when short-listing the consultant. More weight shall be given to the methodology in the case of more complex assignments (for example, multidisciplinary feasibility or management studies).

Evaluation of only the key personnel is recommended. Since key personnel ultimately determine the quality of performance, more weight shall be assigned to this criterion if the proposed assignment is complex. The Borrower shall review the qualifications and experience of proposed key personnel in their curricula vitae, which must be accurate, complete, and signed by an authorized official of the consultant and the individual proposed. The individuals shall be rated in the following three sub criteria, as relevant to the task:

- (a) general qualifications:** General education and training, length of experience, positions held etc.
- (b) adequacy for the assignment:** education, training, and experience in the specific sector, field, subject, and so forth, relevant to the particular assignment; and
- (c) experience in the region:** knowledge of the local language, culture, administrative system, government organization, and so forth.

Borrower shall evaluate each proposal on the basis of its responsiveness to the TOR. A proposal shall be considered unsuitable and shall be rejected at this stage if it does not respond to important aspects of the TOR or it fails to achieve a minimum technical score specified in the RFP.

At the end of the process, the Borrower shall prepare a technical evaluation report of the "quality" of the proposals and in case of contracts subject to prior review, submit it to the Bank for its review and "No objections". The report shall substantiate the results of the evaluation and describe the relative strengths and weaknesses of the proposals. All records relating to the evaluation, such as individual mark sheets, shall be retained until completion of the project and its audit.

4.10.6 Evaluation of Cost {refer paragraph 2.20 to 2.22 of Consultant Guidelines}

After the evaluation of quality is completed, and the Bank has issued its no objection (if this is prior-review case) the Borrower shall inform the consultants who have submitted proposals the technical points assigned to each consultant shall notify those consultants whose proposals did not meet the minimum qualifying mark or were considered non-responsive to the RFP and/or TOR, indicating that their financial proposals will be returned unopened after completing the selection process. The Borrower shall simultaneously notify the consultants that have secured the minimum qualifying mark, and indicate the date and time set for opening the financial proposals. In such a case, the opening date shall not be sooner than two weeks after the notification date. The financial proposals shall be opened publicly in the presence of representatives of the technically qualified consultants who choose to attend. The name of the consultant, the quality scores, and the proposed prices shall be read aloud and recorded when the financial proposals are opened, The Borrower shall prepare the minutes of the public opening and copy of this record shall be sent to all consultants who submitted proposals.

The Borrower shall then review the financial proposals. If there are any arithmetical errors, they shall be corrected. For the purpose of comparing proposals, the costs shall be converted to a single currency preferably Indian Rupees, as stated in the RFP. The Borrower shall make this conversion by using the BC selling exchange rates for those currencies as per exchange rate quoted by an official source e.g. State Bank of India. The RFP shall specify the source of the exchange rate to be used and the date of exchange rate, provided that the date shall not be earlier than four weeks prior to the deadline for submission of proposals, nor later than the original date of expiration of the period of validity of the proposal.

For the purpose of evaluation, "cost" shall exclude Local identifiable indirect taxes on the contract and income tax payable on the remuneration of services rendered by non-resident staff of the Consultant. The cost shall include all consultant's remuneration and other reimbursable expenses, such as travel, translation, report printing, or secretarial expenses. The proposal with the lowest cost may be given a financial score of 100 and other proposals given financial scores that are inversely proportional to their prices. Alternatively, other methodology as considered appropriate might be used in allocating the marks for the cost. The methodology should however be described in the RFP.

Combined Quality and Cost Evaluation (refer paragraph 2.23 of Consultant Guidelines)

The total score shall be obtained by weighting the quality and cost scores and adding them. As an illustration, in a case where technical score weightage is 80% and cost weightage is 20%, a firm scoring 80% marks in technical score and 70% marks in financial score, the total weighted score would be $80 \times 0.8 + 70 \times 0.2 = 78\%$. The weight for the "cost" shall be chosen, taking into account the complexity of the assignment and the relative importance of quality. The proposed weightages for quality and cost shall be specified in the RFP. The firm obtaining the highest total weighted score shall be invited for negotiations.

Rejection of All Proposals, and re -invitation (refer paragraph 2.30 of Consultant Guidelines)

The Borrower shall be justified in rejecting all proposals only if all proposals are non-responsive because they present major deficiencies in complying with the TOR or if they involve costs substantially higher than the original estimate. In the latter case, the feasibility of increasing the budget, or scaling down the scope of services with the firm should be investigated in consultation with the Bank. Before all the proposals are rejected and new proposals are invited, the Borrower shall notify the Bank, indicating the reasons for rejection of all proposals, and shall obtain the Bank's "no objection" before proceeding with the rejection and the new process. The new process may include revising the RFP (including the short list) and the budget. These revisions shall be agreed upon with the Bank.

Negotiations and Award of Contract (refer paragraph 2.27 to 2.30 of Consultant Guidelines)

Negotiations shall include discussions of the TOR, the methodology, staffing, Employer inputs, and special conditions of the contract. These discussions shall not substantially alter the original TOR or the terms of the contract, lest the quality of the final product, its cost, and the relevance of the initial evaluation be affected. Major reductions in work inputs should not be made solely to meet the budget. The final TOR and the agreed methodology shall be incorporated in "Description of Services," which shall form part of the contract.

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 of the assignment. If this is not the case and if it is established that key staff were offered in the proposal without confirming their availability, the firm may be disqualified and the process continued with the next ranked firm. The key staff proposed for substitution shall have qualifications equal to or better than the key staff initially proposed.

Financial negotiations shall include clarification of the consultants' tax liability in India (if any) and how this tax liability has been or would be reflected in the contract. As Lump-Sum Contracts payments are based on delivery of outputs (or products), the offered price shall include all costs (staff time, overhead, travel, hotel, etc.).

Consequently, if the selection method for a Lump-sum contract included price as a component, this price shall not be negotiated. In the case of Time-based Contracts, payment is based on inputs (staff time and reimbursable) and the offered price shall include staff rates and an estimation of the amount of reimbursable. When the selection method includes price as a component, negotiations of staff rates should not take place, except in special circumstances, like for example, staff rates offered are much higher than typically charges rates by consultants for similar contract. Consequently, the prohibition of negotiation does not preclude the right of the client to ask for clarifications, and, if fee are very high, to ask for change of fees, after due consultation with the Bank. Reimbursable are to be paid on actual expenses incurred at cost upon presentation of receipts and therefore are not subject to negotiations. However, if the client was to define ceilings for unit prices of certain reimbursable (like travel or hotel rates), they should indicate the maximum levels of those rates in the RFP or define as per diem in the RFP.

If the negotiations fail to result in an acceptable contract, the Borrower shall terminate the negotiations and invite the next ranked firm for negotiations. The borrower shall consult with the Bank prior to taking this step. The consultant shall be informed of the reasons for terminations of negotiations. Once the negotiations commenced with the next ranked firm, the borrower shall not re-open the earlier negotiations. After the negotiations are successfully completed and the bank has issued 'No Objection' to the initialled negotiated contract, the Borrower shall promptly notify other firms on the short list that they were unsuccessful.

4.11 Types of Contracts

4.11.1 Lump Sum (Firm Fixed Price) Contract: Lump sum contracts are used mainly for assignments in which the content and the duration of the services and the required output of the consultants are clearly defined. They are widely used for simple planning and feasibility studies, environmental studies, detailed design of standard or common structures, preparation of data processing systems, and so forth. Payments are linked to outputs (deliverables), such as reports, drawings, bills of quantities, bidding documents, and software programs. Lump sum contracts are easy to administer because payments are due on clearly specified outputs.

4.11.2 Time-Based Contract: This type of contract is appropriate when it is difficult to define the scope and the length of services, either because the services are related to activities by others for which the completion period may vary, or because the input of the consultants required to attain the objectives of the assignment is difficult to assess. This type of contract is widely used for complex studies, supervision of construction, advisory services, and most training assignments.

Payments are based on agreed hourly, daily, weekly, or monthly rates for staff (who are normally named in the contract) and on reimbursable items using actual expenses and/or agreed unit prices. The rates for staff include salary, social costs, overhead, fee (or profit), and, where appropriate special allowances. This type of contract shall include a maximum amount of total payments to be made to the consultants. This ceiling amount should include a contingency allowance for unforeseen work and duration, and provision for price adjustments, where appropriate. Time-based contracts need to be closely monitored and administered by the Employer to ensure that the assignment is progressing satisfactorily and that payments claimed by the consultants are appropriate.

4.12 Important Provisions

4.12.1 Currency: RFPs shall clearly state that firms may express the price for their services, in the currency specified in RFP. If RFP allows proposals in more than one currencies, the date & the exchange rate for converting all the bid prices to Indian Rs. shall be indicated in RFP.

4.12.2 Price Adjustment: To adjust the remuneration for foreign and/or local inflation, a price adjustment provision may be included if its duration is expected to exceed 18 months. Exceptionally, contracts of shorter duration may include a provision for price adjustment only in exceptional cases when local or foreign inflation is expected to be high and unpredictable.

4.12.3 Payment Provisions: Payment provisions, including amounts to be paid, schedule of payments, and payment procedures, shall be agreed upon during negotiations. Payments may be made at regular intervals (as under time-based contracts) or for agreed outputs (as under lump sum contracts). Payments for advances if any should normally be backed by advance payment securities.

4.12.4 Bid and Performance Securities: Bid and performance securities may be dispensed with for consultants' services. Their enforcement is often subject to judgment calls, they can be easily abused, and they tend to increase the costs to the consulting industry without evident benefits.

4.12.5 Conflict of Interest: The consultant shall not receive any remuneration in connection with the assignment except as provided in the contract. The consultant and its affiliates shall not engage in consulting or other activities that conflict with the interest of the client under the contract and shall be excluded from downstream supply of goods or construction of works or purchase of any asset or provision of any other service related to the assignment other than a continuation of the "Services" under the ongoing contract.

4.12.6 Professional Liability: The consultant is expected to carry out its assignment with due diligence and in accordance with prevailing standards of the profession. As the consultant's liability to the Borrower will be governed by the applicable law, the contract need not deal with this matter unless the parties wish to limit this liability. If they do so, they should ensure that (a) there must be no such limitation in case of the consultant's gross negligence or willful misconduct; (b) the consultant's liability to the Borrower may in no case be limited to less than a multiplier of the total value of the contract to be indicated in the CFP and in the special conditions of contract and (c) any such limitation may deal only with the consultant's liability toward the client and not with the consultant's liability toward third parties.

4.12.7 Staff Substitution: During an assignment, if substitution is necessary (for example, because of ill health or because a staff member proves to be unsuitable), the consultant shall propose other staff of at least the same level of qualifications for approval by the Borrower.

4.12.8 Applicable Law and Settlement of Disputes: The contract shall include provisions dealing with the applicable law, which should be the law applicable in India and the forum for the settlement of disputes.

4.12.9 Mis-procurement: The Consulting Services not procured/ contracted in accordance with the agreed provisions of Loan Agreement and approved procurement plan, shall be declared by the Bank, as mis-procurement. The Bank does not finance such expenditure and may cancel that portion of the loan allocated to the services that have been mis-procured.

Chapter 5: Procurement of Works

Depending on the profile of works to be procured through the Project, Shopping method is described in this manual.

5.1 Shopping: Works

1. Shopping is a procurement method based on comparing price quotations obtained from several contractors, with a minimum of three, to assure competitive prices. It is an appropriate method of small value or simple civil works of small value. Shopping should not be used as an expedient to by-pass more competitive methods or fraction large procurement into smaller ones solely to allow the use of Shopping. the same principles as of open bidding.
2. Quotations shall be opened after the stipulated time and date of submission of the quotations. Comparative statement is prepared. Evaluation should be done as per stipulations in the letter of invitation of quotations. Award should be made to the lowest bidder whose bid is considered substantially responsive.
3. The terms of the accepted offers shall be incorporated in a purchase /work order.

Requirements:

All salient steps for Goods are same except:

- 1. In case of civil works prices shall be requested inclusive of all taxes and duties payable by the contractor.**
2. Requests should be addressed to more than three firms that are reputable, well established potential contractors (after verifying whether those being invited will make an offer or not) to ensure at least three quotations are received; In case unsolicited quotations are received, they may be accepted after carrying out a similar due diligence exercise to verify the nature and reputation of firm.
3. If the Purchaser has not received at least three quotations within the time set, it should verify with the suppliers who have not submitted quotation, whether they intend to do so and how soon. Unless there is extreme urgency or there are already three or more quotations available, reasonable amount of additional time, say three more days, could be given to submit quotation.
4. Issue letter of Invitation with 2 to 3% Performance Security (PS); Verify the PS with issued Bank;
5. Issue notice to Proceed with the Work.
6. Process the payment as per the stipulated milestones

5.2 Force Account (Para 3.9 of Procurement Guidelines)

Force Account that is construction by the use of borrower's own personnel and equipment, may be the only practical method for constructing some kinds of works. The use of force account may be justified where;

- Quantities of work involved cannot be defined in advance;
- Works are small and scattered or in remote locations for which qualified construction firms are unlikely to bid at reasonable prices; Work is required to be carried out without disrupting ongoing operations;

- Risks of unavoidable work interruption are better borne by the borrower than by a contractor; and
- There are emergencies needing prompt attention.

This method shall be used with prior agreement of the Bank.

5.3 Record Keeping:

The Project shall retain all documentation with respect to each contract 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, the signed original of the contract, the analysis of the respective proposals, and recommendations for award, for examination by the Bank or by Consultants. The Borrower shall also furnish such documentations to the Bank on request. Most Purchase Department maintains the following basic records:

- i) **PURCHASE ORDER LOG** : It contains a numerical brief record of all Purchase Orders issued. It contains Purchase Order nos., supplier's name, brief description of purchase, total value of the order etc
- ii) **OPEN ORDER FILE** : contains status of all outstanding orders.
- iii) **CLOSED ORDER FILE** : contains historical data of all completed purchases
- iv) **VENDOR RECORD FILE** : contains the names, addresses of suppliers, materials that a vendor can supply, delivery and quality records.
- v) **RATE CONTRACT FILE** : contains the purchase records of items under a term contract. It is specially important when the contract is an open one against which orders may be placed.
- vi) **PURCHASE REPORTS** : Since the Purchase Deptt. 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. Some of important reports are;
 - a) Total value of purchase
 - b) Allocation of purchase value against major items
 - c) Budget for purchase for the next year
 - d) Proposal for revision of budget in current year

Besides the above, the Purchase Officer responsible 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. Records of complaint handling, correspondences with clients, consultants, Bank Vendors etc. also shall be kept separately and should be retrievable.

Annexures

Annexure 1: Sample Procurement Plan

I. General

- 1. Project information:** [Example: Country, Borrower, Project Name, Loan/Credit No., Project Implementing Agency (PIA) etc. The Project team may decide to have different sections to reflect projects with many PIAs]
- 2. Bank's approval Date of the procurement Plan** [Original:.....;]
- 3. Date of General Procurement Notice:**
- 4. Period covered by this procurement plan:**

II. Goods and Works and non-consulting services.

- 1. Prior Review Threshold:** Procurement Decisions subject to Prior Review by the Bank as stated in Appendix 1 to the Guidelines for Procurement: [Thresholds for applicable procurement methods (not limited to the list below) will be determined by the Procurement Specialist /Procurement Accredited Staff based on the assessment of the implementing agency's capacity.]

	Procurement Method	Prior Review Threshold	Comments
1.	ICB and LIB (Goods)		
2.	NCB (Goods)		
3.	ICB (Works)		
4.	NCB (Works)		
5.	ICB (Non-Consultant Services)		
	[Add other methods if necessary]		

- 2. Pre-qualification.** Bidders for _____ shall be pre-qualified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.
- 3. Proposed Procedures for CDD Components (as per paragraph. 3.17 of the Guidelines:** [Refer to the relevant CDD project implementation document approved by the Bank]
- 4. Reference to (if any) Project Operational/Procurement Manual:**

5. Any Other Special Procurement Arrangements: [including advance procurement and retroactive financing, if applicable]

6. Procurement Packages with Methods and Time Schedule

[List the Packages which require Bank’s prior review first and then the other packages]

1	2	3	4	5	6	7	8	9
Ref. No.	Contract (Description)	Estimated Cost	Procurement Method	Prequalification (yes/no)	Domestic Preference (yes/no)	Review by Bank (Prior / Post)	Expected Bid - Opening Date	Comments

III. Selection of Consultants

1. Prior Review Threshold: Selection decisions subject to Prior Review by Bank as stated in Appendix 1 to the Guidelines Selection and Employment of Consultants:

1	Procurement Method	Prior Review Threshold	Comments
1	Competitive Methods (Firms)		
2	Single Source (Firms)		
	[Add specific methods if necessary]		

2. Short list comprising entirely of national consultants: Short list of consultants for services, estimated to cost less than \$800,000 equivalent per contract, may comprise entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

3. Any Other Special Selection Arrangements: [including advance procurement and retroactive financing, if applicable]

4. Consultancy Assignments with Selection Methods and Time Schedule

1	2	3	4	5	6	7
Ref. No.	Description of Assignment	Estimated Cost	Selection Method	Review by Bank (Prior / Post)	Expected Proposals Submission Date	Comments

IV. Implementing Agency Capacity Building Activities with Time Schedule

1. In this section the agreed Capacity Building Activities are listed with time schedule

No.	Expected outcome / Activity Description	Estimated Cost	Estimated Duration	Start Date	Comments

Annexure: 2A Procurement Timeline for Goods & Woks (Indicative)

Sl No	Procurement Steps	Shopping (Post)	NCB (Post)	NCB (Prior)	ICB (Prior)
1	Assessment of Requirements & Obtaining Administrative Approval Technical Sanction	1 Week	2 Weeks	2 Weeks	2 Weeks
2	Preparation of Bid Documents including Deciding Procurement Strategy, Mode of Procurement	1 Week	1 Week	2 Weeks	2 Weeks
3	Seeking Bank's No Objection, whenever applicable (including transmission of Bid documents/ RFQs to Bank, responding to queries if any, and obtaining Bank's Clearance)	N/A	N/A	2 Weeks	2 Weeks
4	Advertisement for Invitation For Bids	N/A	1 Week	1 Week	1 Week
5	Issue/ Sale of Bid Documents, Conducting Pre Bid Meeting (Wherever Necessary) and Receipt and Opening of Bids/Quotations	2 Weeks	4 Weeks	4 Weeks	6 Weeks
6	Evaluation of Bids/Quotations and Seeking Approval to Evaluation Report of the Competent Authority	1 Week	7-12 Weeks	7-12 Weeks	7-12 Weeks
7	Seeking Approval of Bank to Evaluation Report, where applicable	N/A	N/A	2 Weeks	2 Weeks
8	Notification of Award	ASAP	1 Week	1 Week	1 Week
9	Signing of Contract	ASAP	1 Week	2 Weeks	2 Weeks
10	Sending the signed Contract for WBR, whenever applicable	N/A	N/A	ASAP	ASAP
11	Inspection and Quality Control	As per Contract	As per Contract	As per Contract	As per Contract
12	Completion of Delivery/works and Handing Over	As per Contract	As per Contract	As per Contract	As per Contract

Annexure: 2B Procurement Timeline for Consultancy Service (Indicative)

S/No	Consultancy Steps	QBS(Quality Based Selection)	QCBS/FBS/LCS	CQ	IC (Individual Consultant)	Single Source
1	Preparation of TOR, cost estimate, sanction etc.,	2 Weeks	2 Weeks	2 Weeks	2 Weeks	2 Weeks
2	Transmit TOR and cost estimate to World Bank	1 Week	1 Week	1 Week	1 Week	1 Week
3	World Bank clearance of TOR and Cost estimate	1 Week	1 Week	1 Week	1 Weeks	1 Week
4	Trasmit EOI for publication to WB and Publication by the Project	1 Week	1 Week	1 Week	1 Week	N/R
5	REOI (Closing Date)	4 Weeks	4 Weeks	4 Weeks	4 Weeks	N/R
6	Trasmit Shortlist, Cost estimate and RFP	4 Weeks	4 Weeks	4 Weeks	4 Weeks	1 week@
7	World Bank Clearance of short-list and RFP	2 Weeks	2 Weeks	2 Weeks	2 Weeks	2 Weeks
8	Issue of RFP	1 Week	1 Week	1 Week	N/A	1 Week
9	Opening of RFP (Technical Proposal)	6 Weeks	6 Weeks	6 Weeks	N/A	6 Weeks
10	Trasmit the TER (Technical Evaluation Report) to World Bank	4 Weeks	4 Weeks	4 Weeks	N/A	2 Weeks
11	World Bank Clearance of TER	2 Weeks	2 Weeks	2 Weeks	N/A	N/A
12	Opening of Financial Proposal	1 Week	3 Weeks	1 Week	N/A	1 Week
13	Trasmit CER (Combined Evaluation Report), Negotiation -Draft Contract to World Bank	3 Weeks	3 Weeks	3 Weeks	N/A	3 Weeks
14	World Bank clearance of draft contract	2 Weeks	2 Weeks	2 Weeks	N/A	2 Weeks
15	Signing of Contract	2 Weeks	2 Weeks	2 Weeks	2 Weeks	2 Weeks
16	Mobilization of Contract	4 Weeks	4 Weeks	4 Weeks	4 Weeks	4 Weeks
17	Contract Completion Date					

Annexure 3 Do's and Don't's for Shopping

	Kindly Read the statements and choose your answer in the box by	<u>Do</u>	<u>Dont</u>
1.	Use this method for procurements valuing <\$100,000, off-the-shelf available goods or standard specifications equipment		
2.	Maintain a list of potential suppliers and actively scan the market for recent make, model, and technology, and approx. price, support details etc.,;		
3.	Use RFQ based on the Model Document issued / format agreed by the World Bank.		
4.	RFQ should be addressed to all potential providers		
5.	Allow sufficient time to the potential bidders to submit their quotation		
6.	The price quoted should be in INR when solicited quotations from the domestic firms only		
7.	Examine Fax, Phone, signatories pattern and Addresses on all quotations to avoid possible collusion		
8.	Use DGS&D rate contracts, wherever applicable		
9.	Keep quotation box for submission of bids at a convenient place without any obstruction. Wherever quotation box could not be placed then name of official collecting the quotation of bidders, should be clearly mentioned in the RFQ		
10.	The quotations should be strictly opened after the submission on the specified date and time in the RFQ. The time gap between submission & opening should be 15-30 minutes.		
11.	Evaluate quotations after adding all costs/prices to the final destination as per details given in RFQ excluding applicable local taxes		
12.	Maintain registers containing names of bidders whom RFQ issued, solicitation register, acknowledgements, opening register, purchase files and post contract files		
13.	In case brand name is necessary then select 3-4 equivalent brands, or add the word "equivalent"/		
14.	Justification for rejecting the lowest priced quotation should be clearly recorded		
15.	The lowest acceptable bidder should be selected strictly as per details given in RFQ		
16.	Cross threshold limit of \$ 100,000 (Or as stipulated in the Project Documents)		
17.	Split large procurement into smaller one just to allow shopping		
18.	Use shopping in complex technical items requiring substantial documentation		
19.	Issue RFQ to "Sister Concerns"		
20.	Use two or three envelop system		
21.	Use state rate contract or MOU		
22.	Entertain unsigned quotations		

23.	Enter into negotiation		
24.	Give counter offer		
25.	Award the contract after expiry of the validity		
26.	Procure on less than 3 quotations.		
27.	Use single brand name in the RFQ.		
28.	Get quotes as per sample		
29.	Reject the lowest technically suitable bid, on the basis superior specification than asked for in RFQ		
30.	Pay cash to firms		

