



GOVERNMENT OF KERALA

Abstract

Local Self Government Department – Guidelines for the Procurement of Goods and Services in Local Self Governments in Kerala – Orders issued

LOCAL SELF GOVERNMENT (AA) DEPARTMENT

G.O. (P) 259/2010/LSGD

Dated, Thiruvananthapuram, 8.11.2010

Read: 1. G.O.(MA) No. 189/95/LSGD dated 18.9.1995
2. G.O.(P) No. 188/00/LSGD dated 4.7.2000

As per Government Orders read as first and second papers above, Government had transferred the functions and institutions of Government to the Local Governments in accordance with the provisions of section 174(i) of the Kerala Panchayat Raj Act, 1994 and section 30 of the Kerala Municipality Act, 1994. In pursuance of the above orders, a sizeable chunk of the state's funds is also being transferred to the Local Governments for implementing various schemes and projects as per the guidelines formulated by Government from time to time and which involves purchase of goods and services and execution of the works by the Local Governments. At present the Kerala Stores Purchase Manual forms the basis for the Local Government's procurement system and management. However, the Stores Purchase Rules are meant for a more centralized system and hence there is a growing realization that these Rules may not always fully suit the needs of the Local Governments while implementing various schemes and projects as envisaged by them.

In the above circumstances, Government have considered the need for separate guidelines for the procurement of goods and services in Local Governments and accordingly the Guidelines for Procurement of Goods and Services in Local Governments as appended to this G.O. are issued. Henceforth all Local Self Government Institutions in the State will follow these guidelines in letter and spirit for procurement of goods and services by them in respect of items covered by these guidelines.

BY ORDER OF GOVERNOR

**S.M.VIJAYANAND
PRINCIPAL SECRETARY**

The Director of Panchayats, Thiruvananthapuram
The Director of Urban Affairs, Thiruvananthapuram
The Commissioner for Rural Development, Thiruvananthapuram
The Director of Local Fund Audit, Thiruvananthapuram

The Accountant General (Audit), Kerala, Thiruvananthapuram (This issue with the concurrence of Stores Purchase Department)
The Secretary, All District Panchayats
The Secretary, All Block Panchayats
The Secretary, All Grama Panchayats
The Secretary, All Municipalities
The Secretary, All Corporations
The Director, KILA, Thrissur
The Director, State Institute of Rural Development, Kottarakkara
The Executive Director, Kudumbashree
The Chief Engineer, Local Self Government Department
All District Collectors
Member Secretary, State Planning Board
All District Panchayat Officers
All Deputy Directors of Panchayats
All Additional Development Commissioners (General)
All Regional Joint Directors (Urban)
The Finance Department
The Stores Purchase Department –vide U.O. Note No. 3045/A2/10/SPD dated 2.11.2010
Office copy/Stock file

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Section officer

Copy to:

The PS to Chief Minister
The PS to Minister, Local Self Government Department/Finance Department
PA to Principal Secretary, Local Self Government Department/Finance Department
PA to Secretary Local Self Government Department

**Guidelines for Procurement of Goods and Services
in
Local Governments in Kerala**

1. Introduction

1.1 **Background:** With the transfer of funds to the local bodies, the local governments in Kerala have become major purchasers of goods and services. Some of the areas of the devolved functions that have procurement roles for the Village Panchayats are given in Annexure 1.

1.2 The Kerala Panchayati Raj Act 1994, the Kerala Municipality Act 1994, Kerala Stores Purchase Rules and Kerala Panchayat Raj (execution of Public Works) Rules 1997 provide the legal foundation for the local government's procurement system and management. In addition, the LSG Department also takes a major advisory and regulatory role in defining and supervising the procurement management in the Local governments.

1.3 The Government of Kerala also allows beneficiary groups to undertake works at the LSG level the rationale being— to increase people's participation in the development process, to increase a sense of ownership and to introduce a platform for greater accountability between the LSGs and the community. Beneficiary groups like the Padasekharam Committee, Parent Teachers Association, Mother's Committee (for aanganwadi works), do not have any financial limits for works to be undertaken in related sectors.

1.4 However there is a growing realization that there is a need for a consolidated procurement manual.

1.5 The vision of responsible public procurement by Local Self Governments in Kerala captures this spirit:

Vision: Procurement in LSGs in Kerala

For Environmentally Responsible and Fiduciarly Accountable Procurement at LSGs

Contributing, through economic, efficient, transparent and fair procurement practices to the effective use of resources available to the LSG, as set out in the provision in Section 174(i) of the Panchayat Raj Act 1994 and Section 30 of the Municipality Act 1994

Delivering year on year efficiencies and savings by using whole life costing methods to assess costs and benefits and by securing commitment to effective, consistent and coordinated procurement from elected members and implementing officers of the LSG

Promoting sustainable procurement by reducing procurement of new products and services with a significant environmental impact such as timber, construction materials, energy, fuel, food, vehicles and equipment, stationery, clothing and cleaning products by ensuring the effective maintenance of goods and assets, and repairing or reusing existing products

Ensuring that the quality of procurement outcome is measured by improved ability of the LSG to deliver its services to the people, seeking feedback from general public

Raising awareness of the regulatory and fiduciary framework in which procurement operates and its potentially high risk with financial; legal; environmental; health & safety; fraudulent, corrupt, coercive, collusive, obstructive practices; and reputation impacts

1.6 The **Objective** of this manual is to enable the Local Government agencies to procure goods, and services for use in the Local Governments and transferred institutions in the context of transfer of functions and functionaries.

2. Procurement Process

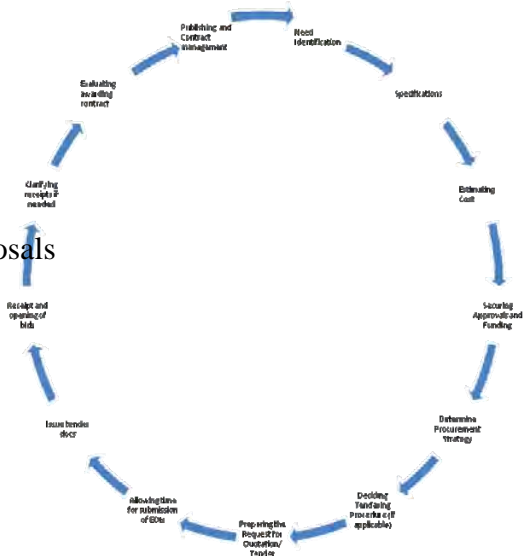
2.1 Goods and Services: Procurement is the process of obtaining goods and services (including consultancy) spanning the “whole life costing” of the asset or service contract. “Whole Life costing” is defined as being from the initial definition of the need through to the end of the useful life of the asset and its subsequent disposal or to the end of the service contract. In the context of LSG procurement, the term “procurement” has a far broader meaning than that of purchasing, buying or commissioning. It is about securing services and products that best meet the needs of the citizens in its widest sense. This strategy provides a common framework within which all procurement by a LSG is to be managed.

Goods means all articles and materials (other than cash and documents) which come into the possession of a local government for their use and includes, but not limited to, Raw material; Construction materials; Livestock; Spares and spare parts; Seeds, seedlings and implements; Water Supply items; Electrical items; Books, registers and forms; Motor vehicles, tractors, general machinery etc.; Stationery and printing items, drawing materials, office furniture, office equipments, hospital furniture; Medicines, medical equipments; Hardware, tools and implements; Building materials; Roads dressing materials etc.

Services means services of intellectual nature performed by individual consultants or consulting firms having necessary specialized professional expertise, experience and relevant qualification.

2.2 Procurement Cycle: The Procurement Process for goods, works and/or services typically consists of the following cycle of activities, undertaken in the order stated below. Detailed functions and responsibilities of various functionaries under each of these steps are explained in the Procurement management section of this manual:

- Need identification
- Developing specifications
- Estimating Costs and securing approvals, funding
- Determining Procurement Strategy
- Deciding the Procurement Procedure
- Identifying suppliers/ service providers
- Preparing the Request for Quotation/ Tender/Proposals
- Allowing time for submission
- Issue of tender documents
- Receipt and Opening of Tenders
- Clarifying Receipts if needed
- Evaluation and award of contracts
- Publishing and Contract Management
- Receipt and certification of goods/ services
- Evaluation and closure of contract.



2.3 Procurement Plans: Planning and adhering to procurement of various items in an orderly manner ensures an effective method of budget execution and expenditure management. Procurement by any LSG is to 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 office equipment and furniture is in economic lots keeping in view the annual requirements.
- (e) Miscellaneous items of goods, works and services not covered by bulk requirement are to be purchased according to the actual requirement at different points of time during the financial year provided the value of goods, works and services so purchased is small and expenditure is met from within the sanctioned budget.

2.4 The procurement plan details should include:

- i. The particular contracts for the goods 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 in accordance with the procedures agreed in the financing agreement, and

- iii. The related review procedures.

Template for LSG Procurement Plans								
District: _____			Panchayat/Municipality: _____					
Financial Year: _____								
Ref. No.	Contract/Item (Description)	Estimated Cost In INR	Goods or Services	Procurement Method	Expected Advert Issue Date for EoI/IFT	Expected Bid-Opening Date /	Expected Contract Award Date	Comments on environmental and health and safety impacts & Fraud and corruption risks
1	<i>(please fill in)</i>							
2	<i>(please fill in)</i>							
3	<i>(please fill in)</i>							
4	<i>(please fill in)</i>							

3. Procurement Methods for Goods

3.1 Various procurement methods need to be applied based on the complexity of the items, its value and availability of suitable market to source the same. Different methods as appropriate with value as described in the table will be applicable for procurement of goods, works and services by LSGs.

3.2 Goods and Works

Value (threshold) per contract	Procurement Method	Applicable Conditions and Steps in Procurement Process

<p>Contracts estimated to cost less than INR 5,000</p>	<p>Petty Purchase</p>	<p>For Stationery, Commodities and similar routine items under goods and for repair, refurbishment works. To be used in the absence of Rate or Rolling Contracts</p> <p>No need for following a competitive process</p> <p>Should have a maximum ceiling of the annual budget that can be spent using this method</p> <p>Should have approval of the Implementing Officer</p> <p>Lowest cost at required quality</p>
<p>Contracts estimated to cost more than INR 5000 and less than INR 50000 (Rs.25,000 for GPs)</p>	<p>Local Shopping</p>	<p>A minimum of 3 Quotations may be obtained/received, from known sources of supply.</p> <p>Request for quotations may be posted in the notice board of the local govt. and its website and issued to all suppliers who are enlisted for supply or from database published by Manufacturers Associations, Yellow Pages, Industry Journals, other departments, etc. (There will be no sale of Tender Documents, as suppliers/contractors are identified and approach by the LSG)</p> <p>7 Days time shall be given for submission of quotations</p> <p>Quotations shall be received in writing as per format</p> <p>Quotations shall be opened publicly in the presence of bidders representatives and a member of the LSG Social Audit Committee</p> <p>A purchase order shall be issued with details of items to be supplied, price, delivery, warranty and other essential terms and conditions and where advance payment is insisted on, the purchasing officer shall obtain beforehand a written undertaking from the selected firm/contractor to the effect that they shall supply in a timely manner and satisfactory condition</p> <p>Contract award information shall be displayed in the notice board for 7 days</p>

<p>Contracts estimated to cost more than 50,000 and less than 100000</p>	<p>Limited Tendering</p>	<p>Limited Tender is a procurement method used for goods and works where a large supplier/contractor base exists and an open tender is not expected to vary the pricing conditions. Limited tender can also be used in case of urgency, with prior approval from the next higher authority of the Implementing officer. In this method, selection is made based on comparing price offers obtained from several suppliers, usually 4-6 to ensure competitive prices. As far as possible, Limited Tender enquiries will be issued to those firms, which are borne on the list of approved contractors/suppliers.</p> <p>Steps involved are: Identifying items for purchase, Laying down specifications for the items identified, Estimating total numbers and costs of items identified based on approximate unit costs, Identifying likely agencies from whom quotations can be invited (minimum 5 but 8-10 agencies would ensure better response and more competitive rates) Issuing letters of invitation based on approvals, 14 Days time shall be given for submission of offers (There will be no sale of Tender Documents, as suppliers/contractors are identified and approach by the LSG) Letter should include post qualification criteria including turn over for past 2 years of at least 5 times the estimated price of contract , a minimum of 80% of the estimated price as value of a single order executed in last 2 years. Public opening of offers on the designated date and time in the presence of bidders representatives and a member of the LSG Social Audit Committee Processing offers received, obtaining orders of competent authority for placing of orders for supply, A purchase order shall be issued with details of items to be supplied, price, delivery, liquidated damages, pre/post delivery inspection provisions, warranty and other essential terms and conditions and where advance payment is insisted on, the purchasing officer shall obtain beforehand a written undertaking from the selected firm/contractor to the effect that they shall supply in a timely manner and satisfactory condition</p>
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<p>Contracts estimated to cost more than 100,000</p>	<p>Open Tendering</p>	<p>Open Tender is the competitive bidding procedure and the most efficient and economic way of procuring goods and works. The procedures shall provide for adequate competition in order to ensure reasonable prices, and methods used in the evaluation of tenders and the award of contracts shall be made known to all bidders.</p> <p>The steps involved are:</p> <p>Notification / Advertising in widely circulated news paper, one national English and one Malayalam</p> <p>Sale of tender documents for a period of 21 days from the date of advertisement (Cost of bid document will be INR 200 for contracts estimated cost upto INR 1,000,000; INR 500 for contracts estimated cost upto INR 2,000,000 and INR 1,000 for contracts valued above INR 2,000,000)</p> <p>Submission of tender documents within 21 days of advertisement,</p> <p>Public opening of tender and verification of tender security in the presence of bidders representatives and a member of the LSG Social Audit Committee</p> <p>Evaluation and Selection of lowest evaluated responsive tender based on post qualification,</p> <p>Contract award, and Contract performance (Detailed procedures are explained subsequently)</p>
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3.3 Other Methods of Procurement of Goods and Services

<p>Works contracts valued upto INR 500,000</p>	<p>Community/Beneficiary Based Direct Implementation</p>	<p>Under a direct implementation by Community Beneficiary Groups, the community develops a sub project and implement the same using its own resources (skilled and unskilled labor, materials, equipment), and may subcontract part of the subproject. This approach offers several advantages. It is community driven and cost effective (inputs can be provided by the community at below-market costs), and it injects funds into the community (e.g., through the payment of wages and materials). Two important criteria that differentiates this method are that level of participation of the beneficiary shall be higher and the need and subproject identification be directed by the beneficiary itself.</p> <p>Steps involved are:</p> <ul style="list-style-type: none"> • Need assessment through a participatory process • Establishing an Implementation committee comprising of community members who are direct beneficiaries • Drawing up implementation schedules, and schedule for purchase of construction materials and inputs • Publication of the plans and schedules in the Notice Board for Beneficiary Group, for 7 days inviting comments • Implementation (using shopping method for construction materials) and monthly update of progress and expenditure details through Notice Board • Review of sub project, quality, use and O&M; and expenditure details by LSG Social Audit Committee
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Irrespective of Value	Single Tender	<p>Single Tender is contracting without competition (single source) and are applicable only under the following circumstances:</p> <ul style="list-style-type: none"> - An existing contract for goods/works, awarded in accordance with competitive procedures, may be extended for additional goods of a similar nature. It may be justified that no advantage could be obtained by further competition and that the prices on the extended contract are same. Provisions for such an extension, if considered likely in advance, shall be included in the original contract. - Standardization of equipment or spare parts, to be compatible with existing equipment, may justify additional purchases from the original Supplier. - The required equipment is proprietary and obtainable only from one source. - The Contractor responsible for a process design requires the purchase of critical items from a particular Supplier as a condition of a performance guarantee. - In exceptional cases, such as in response to natural disasters. - Those items for reasons of <p>All single tender cases should have a justification note prepared and signed by Implementing Officer and have prior approval from the LSG Governing Body. The justification note should explicitly discuss how the proposed procurement has mitigated the risks on account fraudulent practices like collusion and coercion and reputational risks.</p>
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	<p>Rate Contracts</p>	<p>A Rate Contract is a contract for the supply of goods, works and services at specified rates during the period covered by the contract.</p> <p>No quantities are usually mentioned in the contract, and the contractor is bound to accept any order which may be placed upon them at the rates specified within the contract period.</p> <p>As a reciprocal consideration, the Government undertakes to order from the contractor all goods, works and services under the contract which are required to be purchased, subject to certain reservations for submitting prices to competition and for dividing the contract between one or more contractors.</p> <p>Rate Contracts established <u>following open tendering methods</u> by specialized agencies at national, state or district that are mandated only will be applicable for procurement by LSGs. Such agencies will include DGS&D, GoI; corporations and agencies notified by GoK. List of admissible Rate Contracts will be maintained by the LSGD.</p> <p>Considering the annual budgets expended by LSGs under various components, no single contract award should value more than INR 500,000.</p>
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3.4 Procurement Methods for Services from Individual and Institutional Consultants and Contractors including but not limited to Research and evaluation contracts, professional services, training, workshops

Value (threshold) per contract	Procurement Method	Applicable Conditions and Steps in Procurement Process
Institutional Services valued more than INR 500,000	QCBS	<p>QCBS uses a competitive process among short-listed firms that takes into account the quality of the proposal and the cost of the services in the selection of the successful firm. Cost as a factor of selection shall be used judiciously. The relative weight to be given to the quality and cost shall be determined for each case depending on the nature of the assignment.</p> <p>The selection process shall include the following steps:</p> <ol style="list-style-type: none"> 1 preparation of the 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 RFP [which should include: the Letter of Invitation (LOI); Instructions to Consultants (ITC); the TOR and the 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; 20 final evaluation of quality and cost; and 11 negotiations and award of the contract to the selected firm.
Institutional Services valued more than INR 200,000 and less than INR 500,000	Fixed Budget Selection (FBS) or Least Cost Selection (LCS)	

3.5 General Requirements for Service Contracts

- High-quality services;
- Economy and efficiency;
- Give qualified consultants an opportunity to compete
- Encouraging the development and use of national consultants
- The importance on transparency in the selection process

3.6 The procedures to be followed in all cases are given below in brief.

- Establish the need for the assignment and outsourcing the services
- Preparation of the Terms of Reference (TOR)
- Preparation of cost estimate and the budget
- Agreeing on the Contracting Strategy
- Advertising (for short listing of the firms when the purchaser has no knowledge about the firms who could take up the assignment)
- Preparation of the shortlist of consultants
- Preparation and issue of Request for Proposal (RFP) to shortlisted consultants containing
- Receipt of proposals
- Opening and Evaluation of technical proposals
- Opening of financial proposals of Consultants scoring minimum qualification, and evaluation of final proposals.
- Combined evaluation of quality and cost
- Negotiations and award of the contract to the selected firm

3.7 Annex 2 provides the detailed explanations of each of the step above.

4. Procurement Management and Responsibilities

4.1 “Separation of Functions” is a cardinal principle followed in best procurement practices and it is essential that the technical team mainly lead by the Implementing officers from various departments raise requisitions, which are then passed on to the LSG Procurement Committee mainly lead by the Secretary for all procurement administrative tasks like tendering, tender opening, price comparison and contract award and the Finance team handles all payments on receipt and acceptance of the goods, works and services by the technical team. A schematic diagram of how the procurement management is envisaged in LSGs is presented below:

Steps in Procurement Cycle	Responsible Teams				
	Tech (Working groups led by Implementing Officer)	Team by	Procurement Team (Led by IO and section clerks)	Finance Team	Social Audit Committee
Need identification	√*				
Procurement plan preparation and Finalisation			*		√
Environmental and Red Flags Screening of Procurement plan	√		√		
Developing specifications	√*				
Identifying suppliers/ service providers	√		√*		
Estimating Costs and securing approvals, funding	√*		√	√	
Determining Procurement Strategy			√*		
Deciding the Procurement Procedure			√*		
Preparing the Request for Quotation/ Tender/Proposals, Advertisement			√*		
Allowing time for submission			√*		
Issue of tender documents			√*		
Receipt and Opening of Tenders			√*		√
Clarifying Receipts if needed	√		√*		
Technical Evaluation	√*				
Commercial Evaluation and Award of Contracts (after approval of the same by LSG Procurement Committee)			√*		
Publishing and Contract Management	√		√*		
Receipt and certification of goods/ services	√*				
Authorisation and making Payment	√*			√*	
Evaluation and closure of contract	√		√*		√

***- denotes principal responsibility among all involved stakeholders**

4.2 Different stakeholders in the Procurement Management: Constitution and functioning of various stakeholders identified in the table and as detailed below will be followed in all LSGs:

4.2.1 Working Groups are mandatory for 12 sectors plan: watershed management including environment, agriculture, irrigation, animal husbandry, dairying, fisheries and related sectors; Local economic development other than agriculture, including local industries, promotion of private and community investment and mobilization of credit; Poverty reduction including housing, development of scheduled castes, development of women and children, health, water supply and sanitation including solid waste management; education, culture, youth and sports; Infrastructure, social security including care of the aged and disabled, energy, governance plan— if there is an allocation for tribal sub plan then a working group for development of scheduled tribes. In addition more working groups can be constituted depending on availability of experts. The working groups are usually chaired by a ward member, with the vice chairman being a sector expert and the convener being the senior most transferred official in that sector.

4.2.2 In similar Pattern, a **Procurement Team** is established at every LSG that is led by the Secretary or IO and supported by Assistants/Clerks from various sections. The Secretary/IO will be the designated **Procurement Officer** of a LSG. The Procurement Team will be guided and supervised by **LSG Procurement Committee**. The factual accuracy of the materials placed before the committee and the observance of the rules in undertaking various steps before bringing the proposals before the committee will be the sole responsibility of the Secretary/Purchasing Officer of the Local Government. The Committee will scrutinize the proposals and make appropriate decision/ recommendations. The Purchase Committee (Local Government) is empowered to sanction purchase without any limit with the approval of the Council. Any variation in the original sanction will require further reference to the Purchase Committee (Local Government). The sanction for purchase should show the actual specifications quoted in tender. The Purchase Committee (Local Government) may meet whenever necessary and at such time as may be decided by the chairperson preferably in the Local Government itself. For making effect the purchase of such items, the committee should meet as far as possible before the commencement of that year. The steps necessary for this should be taken by the Secretary of the local government sufficiently early. The Constitution of the Purchase Committee (Local Government) is as follows, if not other-wise specified any where:

1. President/ Chairperson/ Mayor - Chairperson
2. Vice-president/ Dy. Chairperson/ Dy. Mayor - Vice Chairperson
3. Secretary of the Local Government - Convener
4. All standing Committee Chairpersons - Members
5. Implementing Officers/ ex-officio Secretaries concerned - Member
6. Two nominees from Social Audit Committee (for general purpose only)

4.2.3 Finance Team consists of the finance section functionaries in the LSG including officers and assistants

4.2.4 Social Audit Committee The Social Audit Committee at the Grama Panchayat shall be set up to augment the process of constructive engagement between the citizens and Government of Kerala such that there is improved performance in the use of public resources to deliver goods and services. The Social Audit Committee will examine the extent to which the LSG body lives upto the shared values and objectives it has committed itself to (refer to page 1) through systematic and regular monitoring. In essence the SAC will be responsible for:

- Creating awareness amongst beneficiaries and providers of local social, productive and infrastructure services.
- Procurement monitoring i.e. bringing in greater transparency in the procurement cycle through active involvement at critical stages— need identification, monitoring of contract award, and contract management including environmental impacts, if any.
- Improving efficiency, productivity and quality in the delivery of goods and services through oversight.

4.2.5 *Membership Details:* Given the population size in Panchayats, the SAC can be formed at Ward or Panchayat Levels. The committee will comprise of 10 members, 50% whom must be women. Chairperson and 5 members will form the quorum for a SAC meeting.

4.2.6 Typically the SAC should comprise of local respectable, resource persons like members of support organizations/ NGOs, retired school teachers, retired government officers, Coordinator of the local National Social Service Chapter, Women members of Kudumbashree, Elders in Tribal Areas, who have a spirit of volunteerism and some relevant expertise. All members will be nominated by the LSG. However, the chairperson of the SAC shall be a consensus choice. SAC members in a committee addressing a particular activity shall not have any direct relationship with that activity undertaken by the LSG.

4.2.7 *Responsibilities:* Members of the SAC will be involved with participatory planning, budget monitoring, expenditure tracking, and specifically procurement monitoring.

- The members will be chosen before the annual planning process undertaken by the LSG bodies.
- At the initial stage of planning, the members will be distributed amongst the three sector groups—productive, service and infrastructure to be actively involved in the need identification and prioritization stage.
- After the Procurement Plan is finalized, the SAC will be responsible for the environmental and red flags screening of the PP such that the principles of procurement as stated in the beginning are being followed in spirit. Trainings will be provided through community mobilizers trained at KILA for enhancing needed skills to undertake this important process.
- The next step of active participation in procurement monitoring would be at bid opening and evaluation. In case of tendering at least three members of the SAC should be present to monitor the proceedings.
- At the end of the financial year, the SAC shall present its consolidated findings in the Gram Sabha wherein all the officers of the Panchayat including the IOs should be present to clear any doubts with relevant documentation. Based on findings, punitive action can be initiated by the SAC citing RTI or the Citizen’s Charter or approaching the Ombudsperson about potential fraud or abuse.

Procurement Monitoring

- There is planned splitting and packaging i.e. goods, works and services were procured as per the planning schedule and there were no delays and minimal wastage of resources.
- Requirements were clearly fleshed out and communicated in simple language which emphasizes the need, what is best fitted to deliver the need using generic details of items such that there is ease of comparisons especially when procuring machinery.
- The intended beneficiaries are equally benefited through the created good/ service.

4.7 **Record Keeping** concerned officers should maintain all the records of issue, receipt, opening, evaluation of tenders, award of contracts i.e. all pre-order and post-order records in chronological order and store the files in an identified place such that it be retrievable for scrutiny whenever needed at any notice. The records of complaint handling, correspondence with clients, consultants, Vendors etc. also should be kept separately and should be retrievable. Procurements documents like Purchase order file, open and close order file, vendor record file, rate contract and purchase reports shall be maintained up to the period defined in Kerala Financial Rules. Purchase order forms (electronic or manual) and standard files for small Procurement can be designed to make the recording of most of the relevant data for small Procurement automatic. The procurement file and the contract administration file can be coordinated by standard practice, so that nothing between tender opening (or proposal receipt) and notice of award is omitted.

Ideally **Procurement Documentation especially while tendering** should include:

- Procurement Plan, Need Identification documentation, acquisition planning information, and other pre-solicitation documents;
- Evidence of availability and approval of funds;
- Rationale for the method of procurement;
- Method and List of sources solicited;
- Independent cost estimate;
- Specifications, Statement of work/scope of services;
- Copies of published notices/advertisements of proposed contract action;
- Copy of the solicitation, all addenda, and all amendments;
- An abstract of each offer or quote;
- Comparative statement
- Minutes of Procurement Committee meeting referring to the particular selection;
- Notice of award;
- Notice to unsuccessful bidders or offertory and record of any debriefing;
- Record of any complaint/protest;
- Tender, Performance, Payment, or other bond documents, and notices to sureties;
- Required insurance documents, if any; and
- Notice to proceed.

4.8 **Audit:** Procurement undertaken by the LSGs will be subjected to vertical statutory audits and horizontal audit by the community beneficiaries. The Directorate of Local Fund Audit / Accountant General in the exercise of their function in audit can examine contracts settled by the LSG. Statutory Audits also include the Performance Appraisal Audit, and Local Fund Audit. In addition, the horizontal review and audit mechanisms will include the periodic reviews carried out by the Social Audit Committees, a code of professional behavior and ethics through the Citizen Charter and the single window Front Office Management.

5. Important Conditions of Effective Procurement Administration

5.1 Following conditions are essential to be followed by LSGs while carrying out procurement of goods and services

Aspect	Things to Remember
Use of Brand Names in Specifications	<p>Specifications shall be based on relevant characteristics and/or performance requirements.</p> <p>References to brand names, catalog numbers, or similar classifications shall be avoided.</p> <p>If it is necessary to quote a brand name or catalog number of a particular manufacturer to clarify an otherwise incomplete specification, the words “or equivalent” shall be added after such reference.</p>
Pricing for Goods and Works to take care of delivery and allied services	<p>Tenders for goods shall be invited on the basis of EXW (ex works, ex factory, or off-the-shelf, as defined in <i>INCOTERMS</i>) plus cost of inland transportation and insurance to the place of destination for goods manufactured or assembled in the country.</p> <p>Where installation, commissioning, or other similar services are required to be performed by the bidder, as in the case of “supply and installation” contracts, the bidder shall be required to quote for these services, in addition.</p> <p>In the case of turnkey contracts, the bidder shall be required to quote the price of the installed plant at site, including all costs for supply of equipment, transportation and insurance, installation, and commissioning, as well as associated works and all other services included in the scope of contract such as design, maintenance, operation, etc. Unless otherwise specified in the bidding documents, the turnkey price shall include all duties, taxes, and other levies.</p>
Domestic Preferences	<p>Given the poverty alleviation agenda of the Government, a margin of preference of 10% over price may be provided in the evaluation of tenders for goods manufactured by “Kudumbashree” units and other units established under the development projects of the local government when comparing bids offering such goods with other manufacturers/suppliers. No other price preferences will be entertained.</p>

<p>Special conditions for Procurement of Medicines, Dietary Items, Agricultural Items, Bitumen</p>	<p>Procurement of medicines, dietary items, agricultural items and bitumen shall be made from the following agencies.</p> <p>Medicine-Government owned companies/corporations and other agencies.</p> <p>Dietary Items-Maveli stores, Civil supplies corporations, Neethistore and Kudumbashree units.</p> <p>Agricultural Items-Agricultural farms and nurseries owned by Government/LSGIs/Universities and other agencies approved by Government.</p> <p>Bitumen-BPCL/IDC/SIDCO</p>
<p>Advertisement</p>	<p>Advertisement of notices of inviting quotations are posted in the notice board of LSG, relevant web sites etc.</p> <p>Newspaper advertisements are mandatory only for Open Tendering and QCBS Service Selection.</p> <p>Advertisements shall be published in at least in one national English and one regional language daily</p> <p>To economise on costs towards advertisements, a LSG can club multiple requisitions together</p>
<p>Tender Submission Time</p>	<p>7 days for local shopping</p> <p>14 days for Limited Tendering and Service Contracts following FBS, LCS and CQS</p> <p>21 days for Open Tendering and Service Contracts following QCBS</p> <p>The above time shall be from the data of actual issue of IfT/ RfP</p>
<p>Goods/Works: Submission of Tenders in Single Envelope</p> <p>Two-stage tendering for large and complex procurement</p>	<p>All tenders will be submitted in a single envelope as there is no separate technical and commercial evaluation envisaged in procurement of Goods. Public opening will be followed as detailed below.</p> <p>In the case of high value goods supplies, turnkey contracts or contracts for large complex facilities or works of a special nature or complex information and communication technology, valued above INR10,000,000, it may be undesirable or impractical to prepare complete technical specifications in advance. In such a case, a two-stage bidding procedure may be used, under</p>

	<p>which first unpriced technical proposals on the basis of pre agreed criteria for evaluation are invited, subject to technical as well as commercial clarifications and adjustments, to be followed by submission of commercial proposals of only short listed or pre qualified bidders.</p>
Quotation/ Tender Opening	<ol style="list-style-type: none"> 1. Quotation/Tender Opening shall be on the same day, immediately after closing submission of tenders. 2. All Quotation/tenders shall be opened publicly in the presence of representatives of bidders. 3. Only single venue for submission and opening of Quotation/Tenders. 4. Late Quotation/Tenders to be returned unopened. 5. The name of the bidder and total amount of each tender along with important conditions like delivery terms, delivery period, special conditions and discounts, if any, shall be read out at the time of tender opening. Withdrawal notices and modifications to the tender shall be read out first followed by the tender of the bidder. 6. Protocol Document for Opening Tenders/Proposals will be completed and signed by all participants present. 7. The envelop in which tenders are received should be preserved along with the tenders for the purpose of record. 8. No Tenders will be rejected on any account during the opening.
Sample Submission	<p>If sample is required to be submitted along with tender, the bidder shall submit the sample along with the tender.</p> <p>In such cases, tenders not accompanied by sample(s) are liable to be rejected.</p> <p>All samples thus required shall be supplied by the firm free of cost .</p> <p>On completion of contract award, the sample which is rejected the same or whatever remains of the sample after examination and/or test, will be returned to the tenders at their cost on request made within 30 days of date of rejection.</p>
Tender validity	<ol style="list-style-type: none"> 1. Generally 30 days for quotations. 2. Generally 90 days for tendering/Service Contracts.
Non responsive Tenders rejected during post qualification	<ol style="list-style-type: none"> 1. Unsigned tenders. 2. Not accompanying Tender Security as per value and valid duration in days, (if required as per tender documents). 3. Not meeting post qualification eligibility criteria, if any mentioned in the tender documents. 4. Tenders that have not quoted for the entire schedule/packing (if so required)

	<p>by Tender documents) and are not in the required currency as indicated in the tender documents.</p> <p>5. Not meeting the technical and financial capability as per specified tender evaluation criteria to successfully execute the contract.</p>
Securities and Penalties in Tender Documents and Contracts	<p>1. Tender Security is generally taken in tendering.</p> <p>2. Retention Money is generally taken in civil works contracts.</p> <p>3. Liquidated Damages should be included in all contracts.</p> <p>All the above should be included in Tender documents.</p>
Fraud and Corruption	<p>Following constitutes fraud and corruption:</p> <p>(i) “corrupt practice” is the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party;</p> <p>(ii) “fraudulent practice” is any act or omission, including misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain financial or other benefit or to avoid an obligation;</p> <p>(iii) “collusive practices” is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party;</p> <p>(iv) “coercive practices “is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party;</p> <p>(v) “obstructive practice” is (a) deliberately destroying, falsifying, altering or concealing of evidence material to an investigation or making false statements to investigators in order to materially impede an investigation into allegations of a corrupt, fraudulent, coercive, or collusive practice and (b) acts intended to materially impede the exercise of the GoK’s inspection and audit rights in a contract</p> <p>If any bidder or contractor is found to be engaged in any act constituting any of the above, their tender/proposal as well as awarded contract will stand cancelled and appropriate proceedings initiated against all parties under the laws of the land.</p>
No Negotiations	<p>No negotiations are not allowed with any bidder.</p> <p>If the lowest evaluated responsive tender exceeds the pre-tender cost estimates by a substantial margin, LSG shall investigate causes for the excessive cost and consider requesting new bids.</p> <p>Alternatively, LSG may negotiate with the lowest evaluated bidder in the</p>

	<p>presence of at least three Social Audit Committee members to try to obtain a satisfactory contract through a reduction in the scope and/or a reallocation of risk and responsibility which can result in a reduction of the contract price. However, substantial reduction in the scope or modification to the contract documents may require rebidding</p>
<p>Rejection of Tenders/Proposals</p>	<p>Tender document provide that the LSG may reject all bids.</p> <p>Rejection of all tenders/proposals is justified when there is lack of effective competition, or are not substantially responsive or when prices are substantially higher than existing budget.</p> <p>No tender may be rejected for quoting for a part only, unless it is otherwise demanded in the tender notice.</p> <p>Even when only one tender is submitted, the process is valid, if the tender was satisfactorily advertised and prices are reasonable in comparison to estimates.</p>
<p>Complaint Redressal</p>	<p>A register of the complaint redressal shall be prepared at each level and shall contain the following information</p> <ul style="list-style-type: none"> (i) Serial No of the complaint. (ii) Date on which the complaint was made (iii) Particular of the person making the complaint (iv) Nature of the complaint (v) Complaint against whom if against a person (vi) Detail of action taken and subsequent follow ups specifying on which date the action was taken (vii) Whether the complaint has been satisfied if not why. (viii) Action taken against the guilty (ix) General remarks <p>Subsequently an on line data base will be created which will be regularly updated and which would be capable of creating on line reports for the purpose of the monitoring. SWSM will announce on its web site about having in place a complaint redressal mechanism.</p> <p>In case any individual officer/staff is found responsible, suitable disciplinary proceedings shall be initiated against such officer/staff .This register shall also be subject to concurrent audit by the chartered accountants engaged as concurrent auditors.</p>

Annex 1: Procurement related works undertaken by LSGs

There are about 45 functions that has primarily procurement roles for the LSGs. These can be procurement of goods, materials, equipment, etc.; civil works construction and/or procurement of services of Consultants, Printers, other service providers etc.

A. Procurement functions come under following Mandatory functions of Village Panchayats:

1. Protection of traditional drinking water sources.
2. Preservation of ponds and other water bodies
3. Maintenance of water-ways and canals under their charge
4. Collection and disposal of solid waste and control of liquid waste disposal.
5. Management of markets
6. Vector control
7. Maintenance of roads and other public assets
8. Street lighting and their maintenance.
9. Provide bathing and washing ghats
10. Provide of ferries.
11. Provide parking space for vehicles
12. Provide waiting-sheds for Travelers
13. Provide toilet facilities in public places

B. Procurement functions comes under following General Functions

1. Collection and updating of essential statistics.
2. Organising voluntary labour and contribution for community works.
3. Organising relief during natural calamities.

C. Sector-wise distribution of responsibilities also shows some procurement Responsibilities for Village Panchayats:

i. Agriculture

1. Production of organic manure.
2. Establishment of nurseries.
3. Fodder development
4. Farm mechanisation.

ii. Animal Husbandry and Dairy

1. Dairy farming.
2. Poultry farming, bee keeping, piggery development, goat rearing, rabbit rearing.
3. Running or veterinary dispensaries.
4. Running of ICDP sub-centres.

iii. Minor Irrigation

All minor irrigation schemes within the area of a Village Panchayat.

1. All micro irrigation schemes.

iv. Fisheries

1. Development of fisheries in ponds and fresh water and brackish water, fish culture, mariculture.
2. Fish seed production and distribution.
3. Distribution of fishing implements.
4. Fish marketing assistance.

v. Social Forestry

1. Raising of fodder, fuel and fruit trees

vi. Housing

1. Implementation of rural housing programmes.
2. Implementation of shelter up gradation programmes.

vii. Water Supply

1. Running of water supply schemes covering one village Panchayat.
2. Setting up of water supply schemes covering one village Panchayat.

viii. Electricity And Energy

1. Street lighting

ix. Education

1. Management of Government pre-primary schools and Government primary schools.

x. Public Works

1. Construction and maintenance of village roads within the village panchayat.
2. Construction of buildings for institutions transferred.

xi. Public Health And Sanitation

1. Management of dispensaries and primary health centres and sub-centres (in all systems of medicine).
2. Management of child welfare centres and maternity homes.

xii. Social Welfare

1. Running of anganwadies.

xiii. Poverty Alleviation

1. Providing community assets of continuing benefit to the poor.

xiv. Scheduled Castes And Scheduled Tribes Development

1. Provision of basic amenities in Scheduled Castes and Scheduled Tribes habitats.

xv. Sports And Cultural Affairs

1. Construction of play grounds.

xvi. Natural Calamities Relief

1. Management of relief centres
2. Organisation of relief works

(Repair works to assets will be divided and carried out by the Panchayat in charge of the assets)

Annex 2: Steps and Processes to be followed in Consultancy Service Selections

1. PREPARATION OF THE TERMS OF REFERENCE (TOR)

The Terms of Reference should 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.

2. PREPARATION OF COST ESTIMATE AND THE 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 to three broad categories;

- Fee or remuneration;
- Reimbursable costs; and
- Miscellaneous expenses.

3. DECIDING CONTRACTING STRATEGY:

Before starting the tendering exercise, it is essential to agree on contract strategy viz. going for lump-sum or time based contract, individual vs. firm, advertising vs. internal short listing, terms of payment etc. Various selection methods along with the thresholds applicable to each of them are mentioned in this manual.

4. ADVERTISING

Advertisement is issued asking the potential service providers to indicate their interest in the assignment and provide abridged CVs of the proposed team members, their previous experience in similar type of assignment and the financial statement of the organisation through last 3 years balance sheets. The advertising may be issued in at least one largely circulated English and Malayalam Newspapers.

5. SHORT LISTING

If the assignment has been advertised, the expressions of interest received shall be evaluated to arrive at shortlist of the consultants. In preparation of the shortlist first consideration shall be given to those firms expressing interest, which possess the relevant qualifications.

6. CONTRACT AND RFP

(A) Various types of contracts are as under:

- **Lump Sum** – These contracts are used for assignments in which the content and the duration of the work is clearly defined. Payment is made upon delivery of outputs. The main advantage of this type of contract is that it is easy to administer. Examples of Lump Sum contracts include Feasibility Studies, Environmental Studies, Detailed design of a standard structure etc.
- **Time Based** - these contracts are used for assignments in which it is difficult to define the scope and the duration of the work to be performed. Payment is based upon an hourly, daily, or monthly rate, plus reimbursable expenses using actual expenses or agreed-upon unit prices. This type of contract provides for a maximum total payable amount that includes a contingency for unforeseen work and duration, price adjustments etc. Examples of Time Based contracts include Preparation of data, Complex Studies, Supervision of construction of civil works, Training assignments, Advisory services etc.
- **Percent contracts** - relate to the fee paid to the consultant based upon the estimated or actual project construction cost or the cost of the goods to be procured or inspected. Percentage is established based upon market norm or standard practice in the industry. Examples of percent contracts include Architectural services, Engineering services, Procurement services, Inspection agents etc.

(B) Request for Proposals (RFPs)

The RFP shall include:

- A Letter of Invitation (LOI), which will include evaluation criteria
- Information to Consultants – Standard Form of Technical and Financial Proposals.
- Terms of Reference
- Draft of the proposed contract

A sample technical evaluation criteria is given below:

Evaluation Factors		Weightage (%)
Quality (Each should have a sub-criteria not exceeding three)	Experience	5 to10
	Methodology	20 to 25
	Key Personnel*	55 to 60
	Transfer of Knowledge (if required)	5
Total		100

Minimum qualifying marks (say 75%) for technical proposal should be indicated in the RFP document. In case of QCBS, weighting for financial proposal should also be indicated.

*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, time with the consulting firm as staff, experience in developing countries and so forth;
- (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.

7. OPENING AND EVALUATION OF PROPOSALS

The technical proposals are to be opened publicly and evaluated based on the evaluation criteria given in the RFP document. The financial proposals of only those bidders who secure minimum qualifying marks should be opened.

8. NEGOTIATIONS AND SIGNING OF CONTRACT:

The firm obtaining the highest total score (based on cost and quality in case of QCBS) should be invited for negotiations and discussions held with them in accordance with Bank's Consultancy Guidelines. No penalties are imposed on the consultants, be it a firm or individual, for unsatisfactory performance or delay in completion of the assignment/ services in the agreed time

frame. It is hence suggested to do the performance evaluation of the consultant on completion of each assignment and keep the same in view while short-listing them for any future assignment.

9. SINGLE SOURCE SELECTION (SSS)

SSS of firms may be appropriate only if it presents a clear advantage over competition and on account of the following reasons:

- For tasks that represent a natural continuation of previous work carried out by the firm.
- Where a rapid selection is essential (emergency operation).
- For very small assignments (as per the agreed threshold); or
- When only one firm is qualified or has experience of exceptional worth for the assignment.

10. INDIVIDUAL CONSULTANTS

Each contract for individual consultants is expected to cost below ??? equivalent only. For hiring of individuals, it is necessary to finalise the job description, qualification and experience required and terms of engagement. Thereafter an advertisement (if the assignment is complex) may be put into the national/ regional newspapers indicating the above details. The applications received shall be scrutinized and ranking shall be prepared. Thereafter the top-ranked individual shall be invited for interviews/discussions and would be offered the assignment.

11. LEAST COST SELECTION

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, and the financial proposals of the rest are opened in public. The firm with the lowest price shall then be selected. Under this method, the minimum qualifying mark shall be established, understanding that all proposals above the minimum compete only on “cost”. The minimum qualifying mark shall be stated in the Request For Proposals.