

**MANUAL
ON
POLICIES AND PROCEDURES

FOR
PROCUREMENT OF WORKS**

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Chapter - 1**PREAMBLE****1.1. Objective**

1.1.1. The objective of laying down policies and procedures for contracts (civil works, electrical works, carpentry works or any other works) is to ensure maximum efficiency, while maintaining quality, desired speed and overall economy. The procedure must ensure healthy competition among suppliers and contractors, in a transparent and fair manner. This is primarily for the guidance of officials in Insurance Regulatory Development Authority (IRDA) which may not have their own Engineering wings though the general policies and principles are the same as those applicable to other Government departments.

1.2. Basic Principles

1.2.1. The Basic Principles of undertaking works are:-

- a) No new works should be sanctioned without careful assessment of the assets or facilities already available and time and cost required to complete the new works.
- b) As financial resources are limited, adequate provisions should be ensured for works and services already in progress before new works are undertaken.
- c) The construction period and sanctioned cost stipulated in the sanction of Project shall not be exceeded as far as possible.
- d) The competent financial authority according administrative approval should be kept informed of the progress of the work till their completion through regular periodical reports.
- e) No project or work will be split up to bring it within the sanctioning powers of a lower authority.
- f) Any anticipated or actual savings from a sanctioned estimate for a definite project, shall not, without special authority, be applied to carry out additional work not contemplated in the original project.

1.2.2. No works shall be commenced or liability incurred until:-

- i. Administrative approval has been obtained from the appropriate authority.
- ii. Sanction to incur expenditure has been obtained from the competent authority.
- iii. A properly detailed design has been sanctioned.
- iv. Estimates containing the detailed specifications and quantities of various items has been prepared and sanctioned preferably on the basis of the schedule of rates maintained by Public Works Organizations like CPWD or on the basis of quotations from private contractors.

- v. Funds to cover the charge during the year have been provided by competent authority.
- vi. Tenders have been invited and processed in accordance with rules.
- vii. A work order has been issued.

1.2.3. On grounds of urgency or otherwise, if it becomes necessary to carry out a work or incur a liability under circumstances when the provisions set out above cannot be complied with, the concerned executive officer may do so on his own judgment and responsibility. Simultaneously, he should initiate action to obtain approval from the competent authority and also to intimate the concerned Finance/Accounts Officer.

1.3. Classification of works

The civil works are classified under two categories: (a) Original Works and (b) Repairs Works. "Original works" means all new constructions, additions and alterations to existing works, special repairs to newly purchased or previously abandoned buildings or structures, including remodelling or replacement. "Repair works" means works undertaken to maintain building and fixtures. (vide Rule 123 GFR 2005)

1.4. Processing of works

Following are the stages in planning, sanctioning and execution of work.

- (a) Inclusion in Procurement Plans
- (b) Preparation of Preliminary Project Report (PPR)
- (c) Acceptance of necessity and issue of 'Go ahead' sanction.
- (d) Preparation of Detailed Project Report (DPR) & Detailed Estimates
- (e) Administrative Approval
- (f) Technical Sanction
- (g) Appropriation of funds
- (h) Preparation of Tender documents
- (i) Call of Tenders and Award of Work
- (j) Execution of works
- (k) Monitoring of works and Quality Assurance.

Note: For repair works up to Rs. 10 Lakhs, sanction may be given on the basis of Preliminary Project Report itself.

1.5. Definition of 'Procurement' and 'Procurement contract'

i) Procurement:

Acquisition by any means, including by purchase, rental, lease or hire-purchase of goods or construction including services incidental to the supply of goods or to the construction.

ii) Procurement contract:

A contract between the procuring entity and a supplier or contractor, resulting from procurement proceeding.

Chapter - 2

PREPARATION OF ESTIMATES

2.1. Perspective Planning for works

2.1.1. IRDA shall prepare an Annual Work Plan in tandem with the annual budget. It is also desirable to have a perspective plan for 5 years for undertaking different types of works, which shall be reviewed annually for making modifications. In both the plans necessity of the works shall be elaborated and justified to the satisfaction of approving authority.

2.2. Set up for execution of works

2.2.1. IRDA shall preferably assign its major works to a Public Works Organisation, which includes State Public Works Divisions, other Central Government organisations authorised to carry out civil or electrical works such as Central Public Works Department (CPWD) etc. or Public Sector Undertakings set up by the Central or State Government to carry out civil or electrical works. Norms as prescribed in Rule 126 of the GFR 2005 will be considered. IRDA may also assign such works to private contractors. The following procedure may be observed:

- i. IRDA at its discretion may directly execute repair works estimated to cost upto Rupees Ten Lakhs after following due procedure indicated in Rule 132 of the GFR 2005.
- ii. IRDA may, at its discretion, assign repair works estimated to cost above Rupees Ten Lakhs and up to Rupees thirty Lakhs to any Public Works Organisation as defined in Rule 126(2) of the GFR 2005 or to a Private Contractor.
- iii. All original works costing upto Rupees Ten Lakhs may be assigned by IRDA to a Public Works Organisation as defined in Rule 126(2) of the GFR 2005 or to a Private Contractor.
- iv. All original works estimated to cost above Rupees Ten Lakhs and repair works estimated to cost above Rupees Thirty Lakhs may be got executed through a Public Works Organisation as defined in Rule 126(2) of the GFR 2005 or through a Private Contractor.

Nature of work	Threshold Amounts	Mode of execution	Mode of selecting the contractor
Repair works	Up to Rs.5,00,000	Can be done directly by IRDA or by Contractor	Quotations
	Rs.5,00,001 to Rs.10,00,000	Can be done directly by IRDA or by Contractor	Open Tender
	Above Rs.10,00,000	By Contractor	Open Tender

Original works	Up to Rs.5,00,000	By Contractor	Quotations
	Above Rs.5,00,001	By Contractor	Open Tender
This table, not there in original manual, is desirable to make since summary of various clauses is not available. It is better that IRDA reads the relevant clauses, go through various threshold amounts and then update this table and amend the clauses in tandem.			

2.2.2. For execution of any work, whether internally or through a Public Works Organisation or through a Private Contractor, IRDA shall constitute a “Works Committee”, whether on ad hoc or standing basis; comprising of representatives of administrative wing and Finance wing and an officer possessing technical skills and experience for framing estimates and execution of works. If need be, a member may be co-opted from CPWD or from some Public Works Organization. The Works Committee shall ensure observance of due process in the planning and execution of works, check the reasonability of the estimates and other technical details and monitor the execution of the works.

2.2.3. A Memorandum of Understanding (MoU) may be drawn with the Public Works Organization / Private Contractor by IRDA for proper execution of works. The MoU should spell out the obligations on the part of Public Works Organization regarding execution of works as per proper specifications and for maintaining proper quality and speed of execution of works. Different stages at which funds shall be released to the Public Works Organization should also be clearly spelt out.

2.3. Preparation of Preliminary Project Report (PPR)

2.3.1. IRDA will get a preliminary project report prepared by Public Works Organization / Private Contractor to whom work is entrusted for execution and based on which sanction will be given to the project. In case IRDA gets the work executed on its own , PPR will be prepared by the Works Committee, with the technical details / documents mentioned below being prepared by (or under the guidance of) the technical member of the Works Committee.

2.3.2. The project report shall provide the following details:

- Background of the work/ project justifying the need for the work
- Details of scope of the project
- Exclusions (if any) - This will cover part of the work, which is not included in this particular project estimate.
- Availability of land - There should be a clear indication about the availability of land required for completion of whole project. The land shall be made available free of all encumbrances.
- Availability of auxiliary services like roads, power, water, solid & liquid waste disposal system, street lighting and other civic services shall be ensured.
- Reference to Concept Drawings and their acceptance - This shall indicate the details of concept drawings prepared and their approval by

the requisitioning authority. If in-house expertise is not available, the services of a consultant shall be obtained.

- Execution methodology – through contract or otherwise.
- Preliminary estimated cost – This will also include the expected escalation for the period of completion of the project and also the charges to be paid to the Public Works Organization.
- Cost benefit analysis of the project, if relevant
- Time of the completion – This will consist of two parts, one for pre-construction activity till award of the work and the other one for the execution.
- Environmental impact assessment (EIA) of the project and approval thereof, wherever applicable.
- Cash flow: This will show year-wise requirement.
- Source & availability of funds - The manner of transferring the fund to the executing agency to be spelt out.
- Appendices:
 - o Requisition of the IRDA
 - o Concept Drawings.
 - o Reference to approval of Concept Drawings.
 - o Any other relevant documents.

2.4. Sanction for the Project

IRDA will sanction the works on the basis of PPR within a period of six months from the date of completion of PPR.

2.5. Preparation of Detailed Project Report (DPR)

2.5.1. On receipt of sanction of the project, based on submission of PPR and assurance of funds, the IRDA shall finalize the Detailed Project Report giving reference to the following documents:

- Approval of Statutory Bodies for Site Plan, Architectural Drawings etc. as required.
- Detailed soil investigation.
- Detailed architectural drawings.
- Detailed structural drawings.
- Detailed Cost Estimates based on specifications and schedule of rates prepared by Public Works Organization or Private Contractor.
- Annual plan and five-year plan allocation and cash flow.
- Systems to be adopted for project monitoring.
- Works accounting system.
- Quality assurance system/mechanism.
- Bidding Systems - Single, two parts, pre-qualification, Post-qualification.

Notes

- 1) In case the work is being executed by the IRDA themselves, DPR will be prepared by the Works Committee as mentioned in para 2.3 above.

- 2) For repair works costing up to Rs. 10 lakh, preparation of DPR may be dispensed with, since repair work does not need detailed designing. Sanction may be accorded by the competent authority based on PPR itself.

2.6. Administrative Approval

Administrative approval will be accorded by the competent Financial authority to the execution of work after due examination of Preliminary Project Report / Detailed Project Report and detailed estimates.

2.7. Technical Sanction

Technical sanction to detailed cost estimates shall be accorded by the Works Committee so as to ensure that proposals are structurally sound and that the estimates are accurately calculated based on adequate data. In case the work is to be executed through a Public Works Organization, technical sanction shall be accorded by that organization.

2.8. Availability of Funds

Before taking up the execution of work it shall be ensured that proper funds are available to meet the expenditure on the work.

2.9. Preparation of Revised Project Report

During preparation of DPR or at tender processing stage or during execution of work or after the completion of work if it is felt that the project cost has or is likely to vary more than 10% of sanctioned cost, then a Revised Project Report taking into account various possible reasons for variation like change in scope, design of work, material/labour cost, time over run etc. shall be prepared and sanction of competent authority shall be obtained.

Chapter - 3

PREPARATION OF TENDER DOCUMENTS

3.1. Standard Forms of Contract

The following different forms of contract can be used depending upon the nature of work:

- A. Percentage Rate Tender:** For percentage rate of tenders, the contractors are required to quote rate as overall percentage above or below the total estimated cost. This kind of form of tender can be used in respect of maintenance works, leveling and development works including works such as storm water drainage, water supply and sewer lines. Such percentage rate contract should be confined to maintenance works up to the value of Rs. 10 Lakh only. All other works contracts should be well planned and awarded as lumpsum contracts.
- B. Item rate Tender:** For item rate tenders, contractors are required to quote rate for individual items of work on the basis of schedule of quantities. The contractor has to quote the rates against each item of work.
- C. Piece Work:** This form is to be used mainly in following cases:
- (i.) The cases, in which it is necessary to start the work in anticipation of formal acceptance of contract, an agreement on piece work form may be drawn and the contract may be cancelled as soon as regular contract is signed.
 - (ii.) For running contracts i.e. those for pipes, laying of sewerage etc. quotations are called periodically and a running rate contract is drawn up as a result of those quotations usually for one year. The piece work form provides for payment of stipulated rates only when it refers to such quantity of time and also stipulates that the procuring entity may put an end to the agreement at his option at any time.
- D. Lump sum Contract:** This form is used for work in which contractors are required to quote a lump sum figure for completing the works in accordance with the given designs, specifications and functional requirements.
- E. Tender for demolition of Buildings:** This form of tender is adopted for demolition of buildings and removal of debris from the site.

Note: All the above mentioned contract forms are available with Public Works organizations like CPWD and the same may be used for calling the tenders.

3.2. Earnest Money

Earnest money at the prescribed percentage of estimated cost shall be required to be submitted by all suppliers or contractors. The amount shall be required to be submitted as cash (up to Rs. 10,000/-), Treasury Challan, Deposit at call receipt of Scheduled Bank guaranteed by the Reserve Bank of India, Banker's Cheque, Demand Draft & FDR. In case where a tenderer fails to commence the work awarded to him, the earnest money shall be forfeited.

3.3. Performance Guarantee

The performance guarantee of prescribed percentage of contract amount shall be required to be submitted as Bank Guarantee, Govt. Securities, FDR or any other form of deposit, as agreed between IRDA and the contractor, within a specified period of receipt of letter of intent to award the work.

3.4. Security Deposit

The security deposit shall be deducted from the running bills at specified percentage of contract value. The earnest money shall form part of the security deposit.

3.5. Bonus, Liquidated Damages

3.5.1. A work may be completed ahead of schedule or delayed due to unforeseen fortuitous circumstances, extra effort or developments beyond the control of the procuring entity or the tenderer and it is sometimes difficult to apportion credit or responsibility. Incentives for early completion and penalties for delay should, therefore, be built into the contract very judiciously.

3.5.2. Normally, tenders shall be invited with reference to a pre-determined period of completion of works. Provision of incentives for completion of work before schedule should be sparingly made after careful assessment of tangible benefits therefrom and disclosed in the tender documents in clear monetary terms.

3.5.3. In case of delay in completion of the contract, liquidated damages should be levied at a specified rate of the contract value, subject to a maximum of 10% of the contract value. The penalties proposed for identified lapses of omission or commission must be disclosed in the tender documents in clear monetary terms.

3.6. Amount of Earnest Money, Performance Guarantee, Security deposit, Bonus and Liquidated damages

Ordinarily, the following percentages may be specified. Exact amount may be decided depending on the type of work, quantum of work and the urgency involved.

1. Earnest Money:

a.	For works estimated to cost up to Rs. 25 crore	2% of the estimated cost
b.	For works estimate to cost more than Rs. 25 crore	Rs. 50 lakh plus 1% of the excess of estimated cost over Rs.25 Crore

2. Performance Guarantee: 10% of the contract value.
3. Security Deposit: 5% of the contract value.
4. Bonus: 1% of the contract value per month subject to a maximum of 5% of contract value.
5. Liquidated Damages: For repair works costing up to Rs. 10 Lakh - 1% of the contract value per week and for all other works 0.5% of the contract value per week of delay subject to a maximum of 10% of contract value.

3.7. Dispute Resolution Mechanism

3.7.1. The dispute resolution method shall be specified clearly in the bidding document. It may be through a Disputes Resolution Board.

3.7.2. If a dispute of any kind, whatsoever, arises between IRDA and the contractor in connection with or arising out of the contract or the execution of the works, whether during the execution of the works or after their completion and whether before or after the repudiation or termination of the contract, including any disagreement by either party with any action, in action, opinion, instruction, determination, certificate or valuation of the Engineer; the matter in dispute shall, in the first place, be referred to the Dispute Resolution Board.

3.7.3. The Works Committee may act as Dispute Resolution Board. The board may co-opt any other officer, if required for dispute resolution

3.8. Arbitration

3.8.1. All questions and disputes relating to the meaning of the specifications, design, drawings and instructions here-in and as to the quality of workmanship or materials used on the work or as to any other question, claim, right, matter or thing whatsoever in any way arising out of or relating to the contract, designs, drawings, specifications, estimates, instructions, orders or these conditions or otherwise concerning the works or the execution or failure to execute the same whether arising during the progress of the work or after the cancellation, termination, completion or abandonment thereof shall be referred to a sole arbitrator for adjudication through arbitration. The arbitration shall be conducted in accordance with the provisions of the Arbitration and Conciliation Act 1996 or any statutory modifications or re-enactment thereof and the rules made there under and for the time being in force, shall apply to the arbitration proceedings.

3.8.2. IRDA may appoint an officer not below the rank of Executive Director to act as arbitrator. Name and designation of the arbitrator should be clearly defined in the bidding document.

3.9. Price Variation

3.9.1. This will deal with rise and fall of the prices in construction materials / labour. However this shall not be applicable in the contracts where period of completion is eighteen months or less.

3.9.2. The amount payable to the contractor shall be adjusted in respect of the rise or fall in the cost of labour, POL and materials to the work for which appropriate formulae shall be prescribed.

3.9.3. To the extent that full compensation for any rise or fall in costs to the contractor is not covered by the provisions of the contract, the unit rates and prices included in the contract shall be deemed to include amounts to cover the contingencies of such other rise or fall of costs.

3.9.4. The formulae may be based on weightages of the material / labour / POL and cost indices/base prices. Indices shall be appropriate for their purpose and shall relate to the contractor's proposed source of supply of inputs on the basis of which his contract price shall have been computed.

3.9.5. If any statutory regulations or bye-laws come into force after submission of the bids, which cause additional or reduced cost to the contractor in the execution of the contract, such additional or reduced cost (except which are covered in cost indices) shall be added or deducted from the contract price.

Chapter - 4

CALL OF TENDERS AND AWARD OF WORK

4.1. Registration of contractors

4.1.1. For enlistment of contractors, the following criteria shall be considered :

- (i.) They should possess the technical competence, financial resources, equipment and other physical facilities, managerial capability, reliability, experience and reputation and the personnel, to perform the procurement contract;
- (ii.) They should have adequate legal status to enter into the procurement contract;
- (iii.) They are not insolvent, in receivership, bankrupt or being wound up, their affairs are not being administered by a court or a judicial officer, their business activities have not been suspended and they are not the subject of legal proceedings for any of the foregoing
- (iv.) They have fulfilled their obligations to pay taxes and social security contribution;
- (v.) They have not been convicted of any criminal offence related to their professional conduct or the making of false statement or misrepresentation as to their qualifications to enter into a procurement contract or have not been otherwise disqualified pursuant to administrative suspension or disbarment.

4.1.2. IRDA shall disqualify the supplier or contractor if it finds at any time that the information submitted concerning the qualifications of the supplier or contractor was false or material inaccurate / incomplete.

4.1.3. IRDA, as an alternate or in addition to above, may invite bids from appropriate class of contractors registered with Public Works Organizations like CPWD, MES, Railways etc.

4.1.4. A panel of enlisted contractors/suppliers should preferably be put in place. The applicability of Joint Ventures / Consortium/ Partnership shall also be considered appropriately in the case of some specific work where the need arises.

4.2. Methods of Calling Tenders

4.2.1. Single Bid System

- 4.2.1.1. Single bid system shall be adopted where it is feasible to work out the schedule of quantities and to formulate detailed specifications for goods or construction.
- 4.2.1.2. The procedures shall provide for adequate competition in order to ensure reasonable prices. Methods used in evaluation of tenders and the award of contract shall be made known to all bidders and not be applied arbitrarily

4.2.2. Two Bid System

- 4.2.2.1. Two bid system shall be adopted in case it is not feasible to formulate detailed specifications for goods or construction and in order to obtain the most satisfactory solution to its procurement needs.
- 4.2.2.2. The tender documents shall call upon suppliers or contractors to submit in the first stage, initial tenders containing their proposals without a tender price. The tender documents may solicit proposals relating to the technical, quality or other characteristics of the goods or constructions as well as to contractual terms & conditions of their supply. These bids will be evaluated against pre-determined criteria and those who meet the criteria alone will be considered technically qualified and others rejected.
- 4.2.2.3. In the second stage of two bid tendering, the IRDA shall invite suppliers or contractors whose tenders have not been rejected to submit final tenders with prices with respect to a single set of specifications. In formulating those specifications, procuring entity may delete or modify any aspect originally set-forth in the tender documents, all the technical or quality characteristics of the goods or constructions to be procured and any criterion originally set-forth in those documents for evaluating and comparing tenders and for ascertaining the successful tender and may add new characteristics or criteria. Any such deletion, modification or addition shall be communicated to suppliers or contractors in the invitation to submit final tender. The supplier or contractor not wishing to submit a final tender, may withdraw from tendering without forfeiting earnest money that the supplier or contractor may have been required to provide.

4.2.3. Tenders with Pre-Qualification

- 4.2.3.1. Criteria for pre-qualification along with evaluation system should be clearly spelt out in detail.
- 4.2.3.2. IRDA may engage in pre-qualification proceedings with a view towards identifying, prior to the submission of tenders, proposals or offers in procurement proceedings, suppliers and contractor that are qualified.

4.2.3.3. If IRDA engages in pre-qualification proceedings, it shall provide a set of pre-qualification documents to each supplier or contractor that requests them in accordance with the invitation to pre-qualify and that pays the price, if any, charged for those documents.

4.2.3.4. The pre-qualification documents shall include the following information:

- a) instructions for preparing and submitting pre-qualification applications;
- b) a summary of the principal required terms and conditions of the procurement contract to be entered into as a result of the procurement proceedings;
- c) any documentary evidence or other information that must be submitted by suppliers or contractors to demonstrate their qualifications;
- d) the manner and place for the submission of applications to pre-qualify and the deadline for the submission, expressed as a specific date and time and allowing sufficient time for suppliers or contractors to prepare and submit their applications, taking into account the reasonable needs of the procuring entity;

4.2.3.5. IRDA shall respond to any request by a supplier or contractor for clarification of the pre-qualification documents that is received by the IRDA within a reasonable time prior to the deadline for the submission of applications to pre-qualify. The response by IRDA shall be given within a reasonable time so as to enable the supplier or contractor to make a timely submission of its application to pre-qualify. The response to any request that might reasonably be expected to be of interest to other suppliers or contractors shall, without identifying the source of the request, be communicated to all suppliers or contractors to which the procuring entity provided the pre-qualification documents.

4.2.3.6. IRDA shall make a decision with respect to the qualifications of each supplier or contractor submitting an application to pre-qualify. In reaching that decision, the procuring entity shall apply only the criteria set forth in the pre-qualification documents.

4.2.3.7. The procuring entity shall upon request communicate to suppliers or contractors that have not been pre-qualified the grounds there for, but the procuring entity is not required to specify the evidence or give the reasons for its finding that those grounds were present.

4.2.4. Tenders with Post-Qualification

4.2.4.1. IRDA may also resort to post qualification verification. It may call financial offers and eligibility related documents in separate envelopes simultaneously. Financial offers of only eligible contractors shall be considered.

4.2.4.2. Eligibility criteria for post qualification along with evaluation system, if any, should be clearly spelt out in detail, with emphasis on the following requirements:

- i. Experience on similar works executed during the last five years and details like monetary value, proof of satisfactory completion of works etc.
- ii. Registration, if any, with specified Departments/Organizations, Class/Type of Registration to fulfill the eligibility criteria.
- iii. Documentary evidence of adequate financial standing of certain specified value of the contract amount.

4.2.5. Open or Limited call of tenders

4.2.5.1. Open tenders will be called in all cases of works costing above (500001) Rs. 5 Lakhs .

4.2.5.2. Limited tendering for works shall be adopted if only a limited number of tenderers are known to possess requisite skills, technology and resources, by reason of their high complex or specialized nature, or for works of a secret nature.

4.2.5.3. When the procuring entity engages in limited tendering, it shall select suppliers or contractors from whom to solicit tenders in a non-discriminatory manner and it shall select a sufficient number of suppliers or contractors to ensure effective competition. When the procuring entity engages in limited tendering, it shall cause a notice for their limited tendering proceedings to be published in official publication, leading newspapers and on web sites, in particular.

4.2.6. Single Source Procurement

4.2.6.1. Single-source procurement shall be adopted in case the goods or construction are available only from a particular supplier or contractor, or a particular supplier or contractor has exclusive rights in respect of the goods or construction, and no reasonable alternative or substitute exists.

4.2.6.2. Generally, it can be followed in following cases.

- (i.) There is an urgent need for the goods or constructions and engaging in competitive tendering process would, therefore, be impractical, provided that the circumstances giving rise to the urgency were neither foreseeable by procuring entity nor the result of dilatory conduct on its part.

- (ii.) Owing to a natural calamity, there is an urgent need for the goods or constructions, making it impractical to use other methods of procurement because of the time involved in using those methods.
- (iii.) IRDA, having procured goods, equipments or technology from a supplier or contractor, determines that additional supply must be procured from that supplier or contractor for reasons of standardization or because the need for compatibility with existing goods, equipments or technology. Taking into account the effectiveness of the original procurement in meeting the needs of IRDA, the limited size of the proposed procurement in relation to the original procurement, the reasonableness of the price and the un- suitability of alternatives to the goods in question, it will be cost effective to resort to single source procurement.
- (iv.) IRDA seeks to enter into a contract with the supplier or contractor for the purpose of research, experiment, study or development leading to the procurement of a proto type except where the contract includes the production of goods to quantities to establish their commercial viabilities or to recover research and development cost.
- (v.) IRDA engages in procurement involving goods or works of confidential nature and determines that single source procurement is the most appropriate method of procurement.

In all such cases, suitable reasons will be recorded in writing before resorting to single source procurement.

4.2.7. Award of Work without Call of Tenders

- (i.) Use of quotations shall be adopted for procurement of readily available goods that are not specially produced to the particular specifications and for which there is an established market.
- (ii.) IRDA shall not divide its procurement into separate contracts to bring the amount less than the amount set forth for such purpose.
- (iii.) Procurement entity shall request quotations from as many suppliers or contractors as practicable but positively from at least three suppliers/contractors. Each supplier or contractor from whom a quotation is requested, shall be informed whether any elements and other than the charges for the goods themselves, such as, transportation and insurance charges, duties and taxes are to be included in the price.
- (iv.) Each supplier or contractor is permitted to give only one price quotation and is not permitted to change its quotation.
- (v.) Award of work without call of tenders shall be resorted only in

emergent cases and suitable reasons shall be recorded.

4.3. Publicity of Tenders

Wide publicity shall be given to the Notice Inviting Tender. Tenders must be invited in the most open and public manner possible, by advertisement in the Press and by notice in English/Hindi and regional language of the concerned District. The Notice Inviting Tender shall also be placed on the website of IRDA.

4.4. Issue of tender documents

The tender documents shall include the following information besides annexing a specimen of the standard form of contract proposed to be used:

- i. Instructions for preparing tenders by the contractor.
- ii. The criteria for issue of tenders and procedures, to evaluate the qualifications of suppliers or contractors.
- iii. Requirements as to documentary evidence that must be submitted by suppliers or contractors to demonstrate their qualifications.
- iv. The location where the construction is to be effective, any incidental services to be performed; and desired or required time, when the goods are to be delivered or construction is to be effective.
- v. Specifying the detailed nature of the work to be executed
- vi. Quality / brands of the items to be used for execution of the work.
- vii. The factors to be used by IRDA in determining the successful tenders and any factors other than price, to be used and the related weight of such factors.
- viii. If alternative to the characteristics of the goods, constructions, contractual terms, conditions or other requirements set forth in the tender documents are permitted, a statement to that effect and a description of the manner in which alternative tenders are to be evaluated and compared.
- ix. The means by which suppliers or contractors may seek clarifications on the tender documents and a statement, as to whether the procuring entity intends at this stage to convene a meeting of suppliers or contractors.
- x. The period of time during which tender shall be valid.
- xi. Manner of the submission of the tender
- xii. Document to be submitted for commercial bid/ eligibility
- xiii. The place, date and time for opening of the tenders.
- xiv. The procedures to be followed for opening and examining tenders.
- xv. The names, designations and addresses of one or more officers or employees of IRDA who are authorized to communicate directly with and to receive communications directly from suppliers or contractors in connection with the procurement proceedings.
- xvi. Any formalities that will be required once a tender has been accepted for procurement contract to enter into force.

4.5. Pre-bid Conference

- i. A supplier or contractor may request a clarification of the tender documents from IRDA within a reasonable time prior to the deadline for the submission of tender. IRDA shall respond within a reasonable time, so as to enable the supplier or contractor to make a timely submission of its tender.
- ii. At any time prior to the deadline for submission of tenders, IRDA may for any reason, whether on its own initiative or as a result of a request for clarification by a supplier or contractor, modify the tender documents by issuing addendum.
- iii. If IRDA convenes a meeting of suppliers or contractors, it shall prepare minutes of the meeting containing the request submitted at the meeting for clarification of the tender documents. The minutes shall be provided promptly to all suppliers or contractors to which IRDA provided the tender documents, so as to enable those suppliers or contractors to take the minutes into account in preparing the tenders.

4.6. Submission and Opening of Bids

- i. IRDA shall fix a place and a specific date and time as the deadline for the submission of tenders. If IRDA issues a clarification/modification of the tender documents or if a meeting of suppliers or contractors is held; it shall, prior to the deadline for the submission of tenders; extend the deadline, if necessary to afford suppliers or contractors reasonable time to take the clarification or modification of the minutes of meeting into account in their tender; after adequately publicising such modifications.
- ii. IRDA may, in its absolute discretion, prior to the deadline for the submission of tenders extend the deadline, if it is not possible for one or more suppliers or contractors to submit their tenders by deadline owing to any circumstance beyond their control.
- iii. Notice of any extension of the deadline shall be given promptly to each supplier or contractor to which IRDA provided the tender documents.
- iv. The tender shall be submitted in writing, signed and in a sealed envelope.
- v. IRDA shall, on request, provide to the suppliers or contractors a receipt showing the date and time when its tender was received.
- vi. The tender received by IRDA after the deadline for the submission of tender, shall not be opened and shall be returned to the suppliers or contractors that submitted it.

On the due date and appointed time, as mentioned in the bid document, IRDA will open the bids in the presence of the intending bidders or their representative. The bidder's name, the bid prices and discount, if any will be announced by IRDA during opening of bids. A record of opening of bids will be maintained.

4.7. Evaluation of Bids

- (i.) IRDA may ask suppliers or contractors for clarifications of their tenders in order to assist in the examination, evaluation and comparison of tenders. No change in a matter of substance in the tender, including changes in price and changes aimed at making an unresponsive tender as responsive shall be sought, offered or permitted.
- (ii.) IRDA shall correct purely arithmetical errors that are discovered during the scrutiny of tender. The errors will be corrected by the procuring entity as follows.
 - a) If rates in words do not tally with rates in figure then the rates which correspond to the amount in words shall be taken as correct.
 - b) If the amount of an item is not worked out by the contractor or it does not correspond with the rates written either in figure or in words then the rate quoted by the contractor in words shall be taken as correct.
- (iii.) The amount stated in the bid will be adjusted by the IRDA in accordance with the above procedure for the correction of error and the procuring entity shall give prompt notice of any such correction to the supplier or contractor that submitted the tender. If the bidder does not accept the corrected amount, the bid will be rejected and the earnest money may be forfeited.
- (iv.) IRDA may regard a tender as responsive only if it conforms to all requirements set forth in the tender documents.
- (v.) IRDA shall not accept a tender if the supplier or contractor that submitted the tender, is not qualified and if the tender is not responsive.
- (vi.) IRDA shall evaluate, prepare comparative statement of tenders and compare the tenders that have been accepted in order to ascertain the successful tender in accordance with the procedures and criteria set forth in the tender documents. No criteria shall be used that has not been set forth in the tender document.
- (vii.) The successful tender shall be the tender with the lowest price subject to any margin of preference applied pursuant to any Government policy.
- (viii.) In determining the lowest evaluated tender, IRDA may consider only the following:
 - a) The tender price, subject to any margin of preference, as a Govt. policy.
 - b) The cost of operating, maintaining and repairing of the goods or construction, the time for the delivery of the goods or completion of construction, the functional characteristics of the goods or construction, the terms of payment and of guarantees in respect of the goods or construction.
 - c) Confidentiality considerations
 - d) Whether or not engaged in pre-qualification proceedings, IRDA may require the supplier or contractor submitting the tender that has been found to be successful tender to demonstrate again its qualifications in accordance with criteria and procedures set forth in the tender documents. Where, the pre-qualification proceedings have been engaged in, the criteria shall be the same, as used in the pre-qualification procedures.

- (ix.) Information relating to the examination, clarification, evaluation and comparison of tenders shall not be disclosed to suppliers or contractors or to any other person not officially involved in the examination, evaluation or comparison of tenders except to the extent required under law.

4.8. Acceptance of Bids and Award of Work

- i. The tender rates should be reasonable considering the justified amount of the work which shall be worked out based on market conditions and other factors pertaining to particular works.
- ii. No negotiations shall be conducted in respect of tenders received for modification of rates and conditions. The acceptance of tender shall be based on consideration of responsive tenders or non-responsive tenders as may be decided by IRDA.
- iii. The tender that has been ascertained to be successful tender, shall be accepted. Notice of award of work shall be given promptly to the supplier or contractor submitting the tender.
- iv. The tender document may require the supplier or contractor whose tender has been accepted, to sign the written procurement contract conforming to tender. In such cases, IRDA or the supplier or contractor shall sign the procurement contract within a reasonable period of time after the letter of award is dispatched to the supplier or contractor.
- v. Where the tender documents stipulate that the procurement contract is subject to approval by higher authority, the procurement contract shall not enter into force before the approval is given. A procurement contract in accordance with the terms & conditions of the accepted tender comes into force when the notice of acceptance of tender is dispatched to the supplier or contractor that submitted the tender, provided that it is dispatched while the tender is in force.

4.9. Measurement and Payment

4.9.1. Measurements of all items having financial value shall be recorded in Measurement books and/or level field books so that a complete record is obtained of all works performed under the contract. Measurements and levels shall be taken jointly by the official designated for the purpose and the contractor. Intermediate bill shall be submitted by the contractor every month for the work executed on basis of recorded measurements. Payment shall be made after verification of the bill by IRDA.

4.9.2. Final bill shall be submitted by the contractor in same manner as that in interim bills within a specified time of physical completion of work and of final certificate of completion furnished by IRDA. Payment shall then be made after verification of the bill.

4.10. Advances and Recoveries

4.10.1. Secured Advance: Secured advances on the security of material brought to site by the contractor may be considered for items which are to be used for work. This may be limited normally to 75% of the assessed value of the

material. No advance should be allowed in case material is combustible, fragile or of perishable nature. Recoveries of advance shall be made from intermediate bill based on material used in the work.

4.10.2. Mobilization Advance: In respect of certain specialized and capital intensive works, mobilization advance normally limited to a maximum of 10% of estimated cost of work may be allowed to contractor at the specified rate of interest. The advance shall be against a Bank Guarantee of a scheduled Bank for full amount of advance. Recovery of such advances shall be made by deduction from contractor's bills as specified in the contract.

4.10.3. Plant, Machinery and shuttering Material Advance: An advance for plant, machinery and shuttering material required for the work and brought to site by the contractor may be allowed at the specified rate of interest. The advance should normally not be more than 50% of the depreciated cost of such plants and materials and contractor should submit bank guarantee to IRDA before the payment of advance is released, recovery of such advances shall be made by deduction from contractor's bills as specified in the contract.

Chapter – 5

PROJECT MONITORING AND QUALITY ASSURANCE

5.1. Quality Assurance System

5.1.1. In order to control the quality of work, a Quality Assurance Cell shall be formed in every work center comprising of multi-disciplinary professionals / engineers to cover all types of works, such as civil, mechanical, electrical etc.

5.1.2. In case of non-availability of qualified professionals/engineers in house for the purpose of quality assurance cell, then the approval of competent authority shall have to be taken for deploying professionals from outside agencies. The provision for third party quality check may also be considered for a work beyond a specified amount.

5.2. Project Monitoring System

5.2.1. A system of project monitoring for each work procurement shall be prepared before start of the work and same shall be available at site of work. The work shall be monitored quarterly/monthly basis by the Works Committee and a status report should be submitted to the in charge of IRDA.

5.2.2. There should be a stipulation in the contract for large value works (magnitude to be specified), for the contractor to submit monthly progress report of the work in a computerized form. The progress report shall contain the following apart from whatever else may be required to be specified:

- i. Project information, giving the broad features of the contract.
- ii. Introduction, giving a brief scope of the work under the contract and the broad structural or other details.
- iii. Construction schedule of the various components of the work, through a bar chart for the next three quarters for as may be specified, showing the milestones, targeted tasks and up to date progress.
- iv. Progress chart of the various components of the work that are planned and achieved, for the month as well as cumulative up to the month, with reasons for deviations, if any, in a tabular format.
- v. Plant and machinery statement, indicating those deployed in the work, and their working status.
- vi. Man-power statement, indicating individually the names of all the staff deployed in the work along with their designations.
- vii. Financial statement, indicating the broad details of all the running account payments received up to date, such as gross value of work done, advances taken, recoveries effected, amounts withheld, net payments, details of cheque payments received, etc.
- viii. A statement showing the extra and substituted items submitted by the contractor, and the payments received against them, broad details of the bank Guarantees, indicating clearly their validity periods, broad details of the insurance policies taken by the contractor, if any, the

- advances received and adjusted earlier, etc.
- ix. Progress photographs, in colour, of the various items/components of the work done up to date, to indicate visually the actual progress of the work.
 - x. Quality assurance and quality control tests conducted during the month, with the results thereof.
 - xi. Any hold-up shall be specified.
 - xii. Dispute, if any, shall also be highlighted.

5.3. Commissioning and Documentation

5.3.1. When the work has been executed, the assets created shall be commissioned. Reasonable advance information of completion of work should be given to IRDA to enable them to make arrangements for taking over. "As built" drawings of the work shall be got prepared through the contractor or otherwise to facilitate proper maintenance of the assets, additions to the assets at subsequent dates etc. and to form part of the records of IRDA.

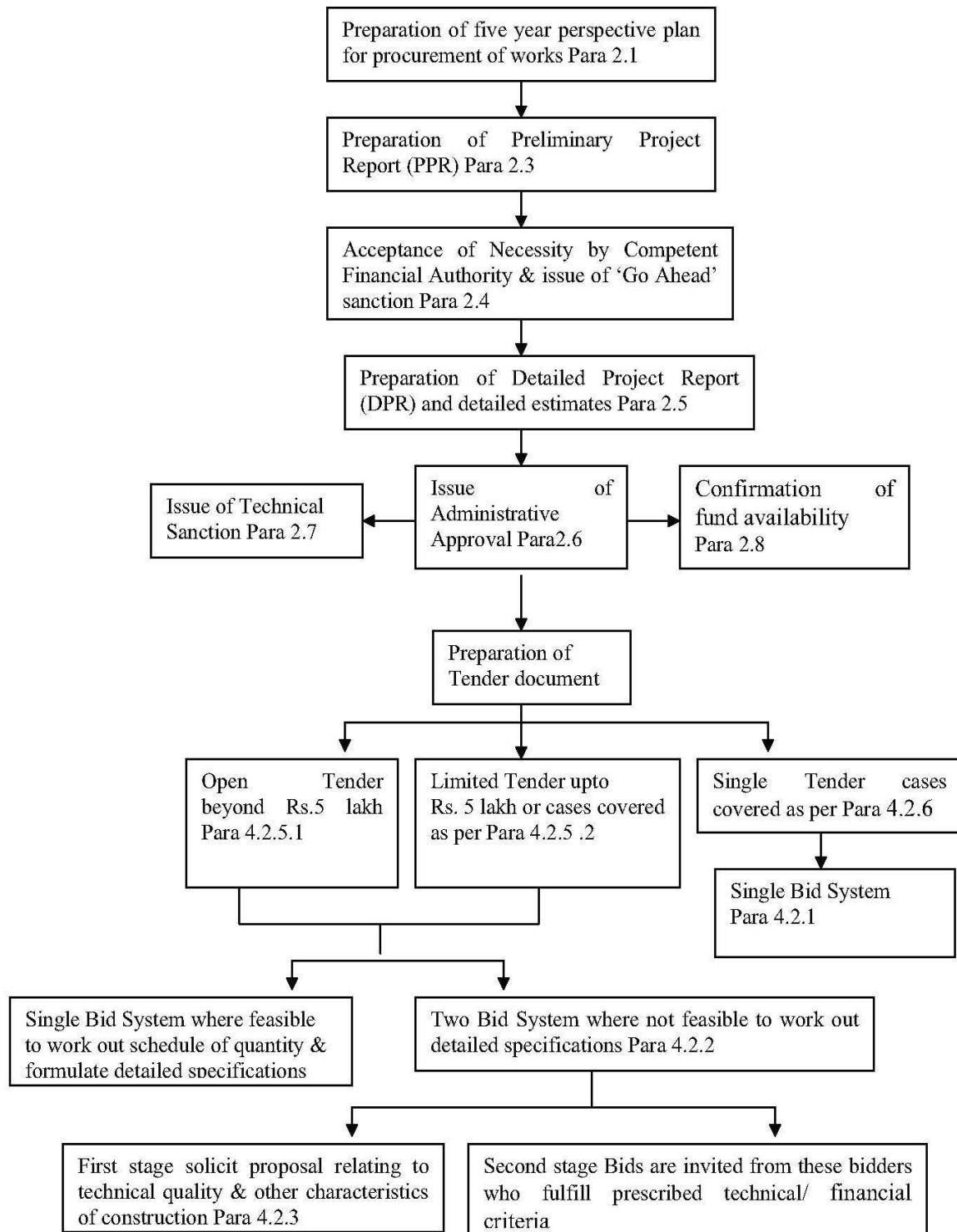
5.3.2. Record keeping should be created at every work center to facilitate proper stacking of records pertaining to the completed works. The records should be preserved in such a manner that the same can be retrieved whenever required.

5.3.3. Designs, plans, layouts or any such drawings developed or modified by the Authority or the contractor for execution of the work shall remain the exclusive property of the Authority. The agreement with the contract shall have a condition to this effect.

5.4. Two flow charts detailing the procedure to be followed for sanction and execution of works by IRDA are placed at Annexure A(i) and A(ii) respectively

Annexure A(i)

Procedure for sanction & execution of works by the Ministries/Depts. –
a flow chart



Annexure A(ii)

