Circular

Sub: Procurement of services on single source basis/ choice/ suo-motu proposals – guidelines under Rule 164 of GFR - regarding

Chapter 6.II of the General Financial Rules (GFRs) lays down the general principles for procurement of services. Rule 164 ibid provides that the Ministry would prescribe the detailed instructions in this regard without contravening the general principles. The intention of this circular is to suitably guide the PDs for objective evaluation of proposals involving nomination on single source basis or that originating from suo-motu proposals for ensuring uniformity and transparency.

2. The Standards of financial propriety described in Rule 21 of the GFRs require every officer incurring or authorising expenditure from public moneys should be guided by high standards of financial propriety. One of the principles require that expenditure from public money should not be incurred for the benefit of a particular person or a section of the people, unless (a) a claim for the amount could be enforced in a Court of Law, or (b) the expenditure is in pursuance of a recognised policy or custom.

3. Procurement of services by Government is required to be made for highly specialised skills normally not available within the Department. Apart from identifying the skill, the quality and economy of service is to be ensured to get the best results against money spent. This can be best ensured by inducing competition among the service providers. As such, procurement of services by direct negotiation will be permitted in exceptional circumstances under Rule 176 of the GFRs and in conformity with paragraph 1.5.3 of the Manual of Policies and Procedure of Employment of Consultants prescribed by the Ministry of Finance.

4. Procurement of Services from single source:
   (I) Keeping in view the above principles, the following instructions should be observed by all the Programme Divisions while processing of proposals involving procurement of services on single source/nomination basis and submitting for sanction of the competent authority.

   (a) For tasks that represent a natural continuation of previous work carried out by the firm. This should clearly quantify the cost advantage and the basis for that. Also mention whether a fresh proposal would require additional cost/efforts, infringe with any patent/Intellectual Property Rights and so on.

   (b) In case of emergency situation, situation arising after natural disasters, situation where timely completion of the assignment is of utmost importance. The proposal should justify the emergency and clearly mention the reasons for not anticipating the expenditure well in advance and why the available time is not sufficient to call for short tender notice.

   (c) Situations where the execution of assignment may involve use of propriety techniques or only one consultant has the requisite expertise.
In each such case, the PD will certify that there is no other service provider available for the same services.

4. (II) There will be a cap of Rs. 10 lakh per consultancy selected on single source basis. For all consultancies having financial implications of more than Rs. Ten Lakhs, a Consultancy Evaluation Committee (CEC) will be formed for each separate assignment and the CEC shall negotiate with the consultant on technical and financial aspects. (Please refer to Para 1.6 of the Manual of Policies and Procedure of Employment of Consultants.)

5. Process to be followed for proposals as in para 4 above :-

In all such proposals PDs should categorically indicate the following in their comprehensive note being submitted for consideration of the competent authority:

(i) The reason for not being able to follow the competitive bidding process for procurement of services should be categorically stated.

(ii) In all such proposals PDs should first identify their own requirements carefully. This should be reflected in the ToRs.

(iii) The PD should identify clear deliverables and their linkages to outcomes.

(iv) The reasons for entering into direct negotiation with the firm/Consultant should be clearly mentioned in the proposal.

(v) The PD will certify that there is no other service provider available for the same services.

(vi) All necessary steps should be taken to avoid any conflict of interest and mentioned accordingly.

(vii) The identified consultant must prepare the technical and financial proposal against the ToRs. The PDs must negotiate on the response of the consultant.

(viii) The proposal should justify the reasonableness of the cost estimates and the basis for the same.

6. Suo-motu proposals:

There is no provision in the GFRs for suo-motu proposals. Rule 6 (2) of the GFRs, however, authorises modification of the systems and procedures established by these Rules only with the express approval of the Ministry of Finance. Accordingly suo-motu proposals can only be considered if the same has been authorised under a scheme duly appraised by SFC/EFC and approved by competent authority.

In case a duly appraised/approved schemes provides for suo-motu proposals, while submitting such proposals PD must ensure that adequate justification for such proposals forwarded in line with the points mentioned at Paras 1 to 4 above and would need to follow the process laid down in para 5 above.
7. The PDs must ensure that the guidance on single source selection for services and on suo-motu proposal provided in the preceding paragraphs are followed and suitably incorporated into the schemes/guidelines administered by them.

All officers of the level of Joint Secretary and above

All Divisional Heads