DRAFT

Guidelines on Procurement Procedure for Health Sector Goods and Services.

Health & Family Welfare Deptt.
Govt. of Assam
Dispur, Guwahati-6.

Prepared By:- The Directorate of Health Services, Assam
Hengrabari, Guwahati-36 with technical assistance from Regional Resource Centre for North Eastern States, Khanapara, Guwahati.

A. INTRODUCTION:

Health care is a vital requirement of any country. Because of educational background & financial constraints, this assumes greater importance in developing economies. In the Indian context, majority of Indians lives in villages and therefore Rural Health care in the overall health scenario cannot be over emphasized.

Procurement encompasses a much wider horizon than purchase and procurement of goods and services constitute one of the single largest cost components of health services. Therefore DHS, Assam has considered it appropriate to formulate a common procedure for procurement of health sector goods & services for Assam under the broad framework of the standard procedures being followed nationally & also by international agencies. It is worthwhile to mention that Tamil Nadu Medical Services Corporation Ltd. (TNMSC) a Govt. of Tamil Nadu undertaking, has been responsible for procurement of health sector goods for all the Govt. run hospitals & medical institution of the State of Tamil Nadu. They have become a role model for the entire country in the field of health sector procurement by a Govt. / Public Sector Organization. The policies and procedures followed by TNMSC which are in conformity with the Central Govt. guidelines have been considered.

Efficiency, Transparency & Economy are the hallmark of a sound procurement system. Aim of good procurement is to receive value for money, with fairness & equity in dealings, in an efficient manner.

Efficiency leads to delivery of required goods & services at the right place, at the right time. Transparency means just & equitable action which stands any scrutiny. Economy means delivery of goods & services of right quality, right quantity & right price, with nil or negligible wastage / damage / pilferage and expiry / obsolescence.

Expenditure on procurement of Health Sector Goods (HSG) has increased significantly in the recent years and the trend is expected to continue.

Guideline and Procedure of Procurement have been considered essential in order to facilitate uniformity of approach in the procurement of HSG because HSG, especially pharmaceuticals, vaccines differ significantly from other commodities in terms of divers ty,

the terminology used to express their specific chemical & generic characteristics, stability criteria, shelf life limitation, special storage requirements, susceptibility to heat & light, quick obsolescence & rigid quality control requirements. Significant price difference may exist between brand name & generic products. Procurement of medical equipment has its own inherent complicacies in view of fast developing technology & equally rapid obsolescence.

Quality, safety, efficacy and above all value for money are of prime importance in HSG procurement. The average Medical practitioner or Pharmacist does not have the expertise to independently assess the quality, safety & efficacy of a drug in the market. Moreover, substandard and counterfeit drugs are very difficult to detect but have potential to cause considerable harm. Therefore, it is imperative to be well-informed about available products and to have upto date knowledge of developments in order to ensure procurement of quality product.

Projects in the health sector are primarily meant to invest in people by way of quality health services efficiently, transparently and at the same time in a cost effective manner. For successful implementation of a project, an effective procurement procedure is essential.

It is to be borne in mind that the procedure enumerated here is to be followed in cases of direct procurement with Govt. funding.

B. Guidelines for Procurement of Health Sector Goods

1. Scope

The Guidelines for procurement enumerated in this document does not limit itself only to purchase of goods and services but includes subsequent activities like inspection / quality assurance, receipt / warehousing, accounting and distribution of the purchased goods till those reach the target population. Further award of service contract and works contracts also comes under the ambit of procurement.

2. Fund / Budget

For purchase of any item or service, specific budget provision should be available for meeting the expenditure in the financial year in which it is to be incurred.

3. **Procurement Plan**

i) Procurement plan for civil works equipment, goods, consultancy services & resource support are to be prepared on firm basis for 1st year of program & on tentative basis for the subsequent years.

ii) To be prepared every year & individual contract wise.

iii) Procurement should be strictly on actual need basis.

iv) Method of procurement shall be generally based on estimated value of the contract, urgency of requirement, types of goods / services required availability of sources of supply etc.

v) Limit of value per contract as applicable to a particular procurement mode shall be strictly adhered to.

4. **Forecasting / Assessment of requirement**

i) Procurement cycle

ii) Trend in usage / consumption pattern

iii) Current stock, location of stock, expiry date, projected distribution time

iv) Storage capacity for receipt in bulk (central)

v) List of consignees with their storage capacity.

vi) Phased delivery to take care of storage capacity & expiry date.

vii) Feed back from past procurement & distribution.

5. **Procurement Strategy:**

To decide procurement strategy before initiating tendering which will depend on the nature / shift life of the items being procured.

a. Pre-qualification to reduce procurement cycle.

b. Item rate contract vis-à-vis lump sum contract to be decided

c. Key objectives of the procurement for the project.

d. Procurement options

e. Procurement mode (Open, limited, single, shopping)

f. Availability of time for clarifications / negotiations.

g. Proper specification.

6. General Procurement Notice:

Before proceeding with the tender, a General Procurement Notice may be issued in the news paper, giving brief background of the project with estimated cost, financing arrangement, time schedule, and nature of items likely to be procured and asking the interested parties to submit details of their firms for prequalification / registration. This will help in pre-qualifying & short listing of bidders. The list may be updated every 2 years.

7. Mode of Procurement

Depending upon nature of the item, estimated value, available sources and urgency of requirement, any of the following modes of procurement may be followed:-

a) Global Tender / International Competitive Bidding (ICB)
b) Open Tender / National Competitive Bidding (NCB)
c) Limited Tender (national / international).
d) Shopping (National / International)
e) Single Tender / Direct Contracting.

b) Open Tender / National Competitive Bidding (NCB): Open tender or National Competitive Bidding is considered to be the most appropriate mode of procurement of goods & services which by their nature or scope, are unlikely to attract overseas competition because i) the contract value is small, ii) works are scattered geographically and / or spread over longer time frame, iii) works are labour intensive or iv) the goods & works are available locally at prices below the international market. However foreign bidders if desire so, can also participate in NCB.

The procedure shall provide for adequate competition in order to ensure reasonable prices, and the award of contract shall be transparent and made known to all bidders in the bidding documents & not to be applied arbitrarily.

Advertisement: IFB shall be published in English in widely circulated national dailies, 2/3 regional dailies along with website of the Govt. of Assam.

e) Single Tender / Direct Contracting: Single Tender or direct contracting without competition may be adopted in case of drugs & equipment which are specifically certified as proprietary in nature, or where only a particular firm is known to manufacture the required items or in case of extreme emergency.

8. Centralized vis-a-vis Decentralized Procurement:

Whether procurement of various commodities should be done in a centralized manner at the Regional / State level or decentralized at district/PHC level need to be decided depending upon factors like items & quantities to be procured, value of procurement and above all availability of resources at state or district/PHC level to carry out and / or monitor all phases of procurement activities, which includes manufacturing quality assurance / inspection, delivery, warehousing, distribution & contract administration.

a. Centralized Procurement:

Centralized procurement has a no. of potential advantage in lowering the cost of goods and optimally utilizing the technically skilled procurement personnel, Procurement in bulk and effective implementation of competitive procurement processes can lead to lower costs in case of centralized procurement. Total administrative costs for centrally managed procurement shall be lower than a no. of regional units in view of expertise available and also because of minimum requirement of financial and accounting management.

In case of centralized procurement, the purchaser must interact will all the service providers in the system / network to consolidate their requirements in a comprehensive manner while preparing the bid document & technical specification. One major disadvantage of centralized procurement may be difficulty in making the goods available to the consumer in a timely & efficient manner. Therefore, the purchaser must have a strong control over the distribution chain and also proper coordination between him and lower down the line of the system.

Centralized procurement is the preferred mechanism for large, fixed quantity purchase & also medical equipments procurement as a cost effective means.

In case of centralized procurement, it is to be ensured that though the ordering will be for the total requirement but location wise break down of quantities of various items shall be mentioned with the condition that the supplier shall deliver the items at specified locations.

b. Decentralized Procurement:

Decentralized procurement at lower levels may be beneficial for emergency requirement, products which are readily available from a no. of local sources and requirements are small.

Decentralized procurement shall offer opportunity for capacity building beyond the central level & staff at lower administrative level shall develop expertise.

However, at lower level personnel may not have expertise in procurement, quality assurance, monitoring physical & financial activities and the central unit shall have to augment the resources in such cases.

There may be selective decentralization of certain procurement activities and retaining the others at central level in order to obtain the advantages of price, quality & prompt response etc. For example, after consolidation of requirement from various local units, bids may be issues & decided at the central level while district offices &/or PHC's can order the items of their requirement from the suppliers.

Previously selected through the centrally managed bid process at already agreed prices. The delivery to the units may be either through the prime supplier or can be contracted to other competent agencies.

In case of decentralized procurement, an information sharing mechanism need to be established by which each one of the procuring units get the details of procurement viz. item, quality, price & other terms & conditions from the other units. Compilation of these data may be done at central level and units may be kept informed so that supplier does not take undue advantage on price or on any other aspect.

9. **Delegation of Authority (DOA)**

a) **Administrative & Financial Powers-**

i) **Necessity**: Delegation of authority for exercising administrative & financial powers is essential for smooth functioning of an organization. The delegation of authority also imposes commensurate responsibility and accountability. While exercising the delegated authority one must observe all the laid down procedures and instructions.

ii) **Limitation:** The powers of the approving authority are limited to sanction of expenditure only in respect of those items which are included in the approved annual budget. The value of the orders should not be split up so as to keep within the sanctioning power of the delegated authority. There should not be any substitution of unbudgeted items against budgeted items.

iii) **Records:** In view of the fact that all transactions are, and will continue to be subject to close scrutiny, adequate records have to be maintained.

iv) **Exercising Powers:** Authorities covered in the DOA can be automatically exercised by officers higher up in the hierarchy in the related area but not the reverse.
While deciding upon award of a contract there must be commercial prudence to ensure that there is fairness equity, transparency and above all to receive value for money.

v) **Factual data in Proposal:** In all proposals put up to the approving authority, all material facts should be mentioned and there should be no suppression/alternation/mis-representation of any fact. The approving authority should be able to take a decision based on the records/data/facts placed before him. Any failure to report the proper facts would be construed as a lapse on the part of the committee member responsible for the item.

vi) **Note of Dissent:** In case of any dissenting note by any member of a committee the approving authority should ensure that the requirements shortcomings pointed out in the dissenting note are fully met before approval is accorded. However, in case the approving authority decides to overrule the dissenting views, he can do so by recording the justification(s).

The purchasing deptt. Shall put up all proposals as per Guidelines for Procurement and route those through Finance Deptt., who shall verify adherence to the procedural requirements.

e) **Delegated Administrative & Financial Powers:**

i) Delegation of Administrative and Financial Authority may be adopted for the normal procurement activities at the State level.

Activity	Approving Authority
a) Issue of Tender	
i) Open ICB / NCB	DHS Assam/DME, Assam/ MD, NRHM Health & FW Deptt. Govt. of Assam
ii) Limited Tender	do
iii) Single Tender	do
iv) Shopping	do
b) Extension Bid Submission date	do
c) Opening of Tender	do
d) Tender Opening Committee	do
e) Tender Evaluation / Negotiation Recommendation committee	do
f) Approving Authority	Purchase Board, Health & FW Deptt., Govt. of Assam
i) Upto Rs. 20 Crores /annum	
g) Extension of delivery period, acceptance of Deviation & closing	DHS Assam/DME, Assam/ MD, NRHM Health & FW Deptt. Govt. of Assam

10. **Standard Bid Document, General Conditions of Contract & Special Conditions of Contract**

a) **Usefulness:** The standard Bid Document, relevant GCC and SCC are the documents which are to be supplied to the intending bidders to make their bids. These documents contain all the information and data that are required to be made known to the prospective bidders.

These documents can be used in all modes of procurement as they contain comprehensive data to evaluate a bid. A set of sample Bid document along with General conditions of Contract & special conditions of contract is enclosed.

b) **Relevant Information:** The bid document shall contain all the relevant information necessary for a prospective bidder to prepare & submit a bid for the goods and services to be provided.

c) **Clarity:** The bid document shall furnish clearly and precisely the work/supply to be executed, location of work/supply, schedule of delivery/ completion, technical specification, performance requirements, guarantee/ warranty, safety & maintenance requirements, it any and also tender evaluation.

d) **Criteria for Evaluation & Selection:** The basis of tender evaluation and selection of the lowest technically evaluated tender shall be clearly outlined i.e. whether individual itemwise lowest or on overall / groupwise lowest basis shall be spelt out.

e) **Price Basis – Firm or Variable:** The bid document shall clearly spell out whether the bid prices shall be fixed till completion of the contract or whether price adjustment will be made to reflect any change in major cost components of the contract and if so, formula to arrive at the price change with an upper ceiling of variation in percentage.

f) **Technical Specification:** Unbiased generally accepted technical specification shall be prepared without mentioning brand names or catalogue nos. The functional performance, design, quality, packaging and additional requirements (if any) shall be clearly spelt out in the tender specification.

The specification should be generic and should not appear to favour any particular brand or supplier.

Technical specifications, bill of quantities, civil drawings (wherever applicable) shall be prepared before tendering. Clear specification for goods to be procured shall be drawn-up in each case before hand.

No deviation from the specifications shall be allowed after opening of tender and if any deviation in specification is required to be incorporated, the same shall be issued as corrigendum to all the prospective bidders.

g. **General Conditions:**

The bid document shall clearly define the scope of works to be performed, goods to be supplied, the obligations & responsibilities of the bidder, the rights & obligations of the owner and also the functions & authority of officials of the owner (in necessary), in execution of the contract. Special conditions related to specific items shall be clearly defined in the special conditions of the contract.

i) The process of advertisement in case of global Tender/International Competitive Bidding (ICB) and National Competitive Bidding (NCB) has already been explained under both modes of procurement.

The following procedure shall be followed for ICB and NCB after publication of Invitation for Bid explained earlier. For limited tenders also relevant steps (excluding those not required for limited tender e.g. ii, iii, v, vii) are to be followed:-

ii) Sale of Standard Bid Document only after publication of ICB/NCB.

Price of bid document should be fixed as a nominal amount to cover the expenses incurred & efforts put for preparation of the bid document & also to cover courier charges (if any).

iii) Sale period & closing of sale of Bid document to be specified.

iv) Bid due date should normally be 30 to 45 days in case of ICB & 21-30 days in case of NCB from the date of sale of bid document.

v) Earnest Money Deposit normally 2% of the estimated value of procurement.

vi) Last date & time of receipt of Bid to be one week after of closure of sale of bid document. Place of sale of Bid document and place of receipt of bids to be specified.

vii) Opening of bid normally immediately after receipt say after an hour of receipt of bids. Opening date, time & venue to be specified.

Bid documents may be on sale from different places but receipt should be at one place only (i.e. at place of opening)

viii) Normal bid validity period is 90 days.

ix) a. Performance security deposit @ 10% of the contract value to be given by the successful bidder either by D. D. by B. G. with validity of one month beyond the defect liability period or guarantee / warranty period as the case may be

b. The performances Security Deposit shall be released after one month of completion of the job or after one month of expiry of guarantee / warranty period.

c. The performance Security deposit shall be forfeited in case of infringement of any terms and conditions of contract or in case of failure to complete the job / supply within stipulated time schedule agreed in the contract.

x) **Retention Money:** In case of works contracts 10% of the contract value shall be retained from each R/A bills. 50% of this amount will be released on successful completion of the contract & balance 50% will be released within one month of expiry of defect liability period.

xi) **Delivery / Completion Period:** The bid document shall clearly specify the delivery period of the ordered items.

Keeping in view the importance of optimizing the remaining shelf life of most of the health sector goods after delivery, careful attention should be given to the delivery schedules specified in the bid document, wherever possible phased deliveries should be allowed, with the quantity covered by each partial dispatch commensurate with the capacity of the warehousing & logistics system and the estimated rate of consumption.

xii) **Price Reduction for Delay:**

For any delay on the part of the supplier / Contractor beyond the contractual delivery date as agreed in the contract, the contract price will be reduced by ½' per cent i.e. 0.5% for the delayed portion of the goods every week of delay or part thereof subject to a maximum of 10% of the total contract.

However, Bonus for early completion will not be considered unless specifically agreed in the contract. Bonus clause may be introduced only in the eventuality that early supply / completion will give tangible advantages / benefits which can be qualified.

xiii) Force majeure: The conditions of contract shall stipulate that failure on the part of the parties to perform their obligations under the contract will not be construed as a default giving rise to claims for damages, if such failure is the result of an event of force majeure as defined in the conditions of the contract.

For the purpose of this clause, force majeure shall mean an event beyond the control of the parties and not involving the parties fault or negligence and not foreseeable. Such events may include but are not restricted to Acts of god, war, civil disturbance riots fires, flood, epidemics, quarantine restrictions, freight embargoes, sabotage confiscation of facilities by govt. authorities, but shall not include power cut, labour unrest, failure of sub-vendor and increase in cost of raw materials.

xiv) Terms of Payment:

a. Under normal circumstances, no advance payment to any supplier / contractor shall be agreed to. Payment of 90% on receipt and acceptance of materials at the delivery point and 10% upon completion of ordered quality as per delivery schedule should be followed.

b. However, in exceptional cases (like supply of equipment or civil works), where advance payment cannot be avoided the following points to be considered –

1. Advance amount shall not be beyond 10% of contract value.
2. The advance has to be backed by a Bank Guarantee from a RBI approved scheduled Bank.

3. The party must agree to (a) payment of interest @ 2% higher than the prime landing rate of SBI or (b) loading of their quote by the interest amount as above for arriving at comparable price.

xv) Domestic / SSI / PSU Preference: If any preference on purchase from a Public Sector Unit, price preference to SSI or domestic manufactures (in case of ICB) is applicable as per Govt. guideline, the same shall be highlighted in the bid documents

xvi) Authority to Sign Bid Document: the signatory to the bid document must have a power of Attorney under the common seal of the company to sign such documents. A certified copy of the Power of Attorney shall be enclosed with the bid.

xvii) Fraud & Corruption: The bidders, suppliers & contractors shall observe the highest standard of ethics during bidding and during performance of the contract.

For the purposes of this provision, the following acts shall be considered as corrupt and / or fraudulent practices -

1. "Corrupt Practice" means offering, giving, receiving, or soliciting directly or indirectly, of any thing of value to influence the action of an official in the procurement process or in contract execution.
2. "Fraudulent Practice" means misrepresentation or omission of facts in order to execution of contract.
3. "Collusive practice" means a scheme or arrangement between two or more bidders, with or without the knowledge of the purchaser, designed to establish bid prices at artificial, non-competitive level.
4. "Coercive Practice" means harming or threatening to harm, directly or indirectly, persons or their property to influence their participation in a procurement process or in execution of a contract.

During the process of evaluation of a bid or proposal for award of a contract, if it is detected that a bidder directly or through agent has engaged in corrupt, fraudulent, collusive or coercive practice in competing for the contract in question, then a) the bid shall be rejected and b) declare the firm ineligible for a specific period or indefinitely to participate in a bidding process.

In the bid document itself, an undertaking from the bidders may be obtained as follows:

"We undertake that, in competing for (and, if the award is made to us, in executing) the subject contract, we will strictly observe the laws against fraud and corruption in force in the country".

(45)

11. **Tendering in Single Bid and 2-Bid System**

Tenders can be invited either in Single-bid or 2-bid system.

a. **Single Bid system**

In Single-bid system, the bids are invited in a comprehensive manner i.e. confirmation of adherence to qualifying/technical criteria and the price are submitted in one bid. This system is adequate in case of single tender /direct contracting, shopping. Single bid can be resorted to the cases where the bidders are prequalified for those particular items of the bid.

b. **Tendering in 2-Bid System**

Normally under competitive bidding viz. ICB, NCB and limited tendering, offers shall be invited under 2-bid system i.e. unprice technical bid and price bid in 2 separate sealed covers.

In 2-bid system, the bids are invited in 2 parts i.e. part I covering qualification criteria of the bidders along with terms and conditions and part II, consisting the price only.

The qualification criteria are the yard sticks to allow or disallow a firm to participate in the bid and shall be unambiguous and transparent. The qualification criteria for evaluation / exclusion adopted in the bid must be made explicit at the time of inviting bids so that the basic concepts of transparency and the interests of equity and fairness are satisfied. The acceptance and rejection criteria of any bid should not be arbitrary but shall be on justified grounds as per laid down specifications, evaluation / exclusion criteria giving no scope for complaints.

Technical un-priced bid shall incorporate pre-qualification criteria, which are to be highlighted in the bid-document.

Generally following criteria may be considered for pre-qualification –

i) Minimum Average Annual Turn over for last 3 years — Rs. 5.00 Crores

ii) At least 3 similar contracts completed during the last 5 years.

iii) Certificate of Good Manufacturing Practice from Controller of Drugs under

iv) provision of Drugs and Cosmetics Act, 1940 continuously for the previous 3 year period.

iv) Should have manufactured & marketed the specific goods covered in the bid documents for at least three years and for similar goods for five years.

v) The bidder shall provide proof of experience with & knowledge of modes of packaging, distribution & transportation of such items under monsoon condition.

The unpriced technical bid shall spell out bidder's agreement to adhere to the terms & conditions of tender & also include all details regarding implication of taxes, duties, packing / forwarding, freight, transit insurance, delivery period, shelf life, packing size etc. except for the price of items under tender. The bid document EMD (if any) along with the above information shall be submitted in the Technical bid in a separate sealed cover prominently super scribing TECHNICAL BID along with bid-reference & due date.

The price bid shall contain the prices of the items and shall be submitted in another sealed cover super scribing PRICED BID alongwith reference & due date.

Both technical & priced bids shall then be put in one envelope, sealed, superscribed with bid reference due date and shall be submitted as per bid condition.

12) **Tender Opening Procedure:**

a. **Under single Bid systems-**

As mentioned in para 11 g (vii) the tenders should be generally opened after one hour from the deadline of receipt of tenders.

i) For opening of the tenders, a committee with representative of Finance and the Deptt. issuing tender shall be constituted.

ii) Tenders shall be opened in public i.e. in presence of the intending bidders or their authorized representative. In the bid opening statement signature of those present shall be taken.

iii) All tenders except the late ones shall be opened and at bid opening stage no tenders shall be rejected. Late tenders shall be returned to the bidders unopened. Unsolicited bids (in case of Limited Bids shall also not be considered).

iv) The name of the bidder (and total amount of each bid in case of single bid system) along with important terms & conditions like implication of Excise Duty, Sales Tax, Packing and forwarding charges, delivery period, transportation charges and special conditions, if any, shall be read out but offers shall not be handed over to bidders.

v) The bid opening officials shall number the offers with a serial no. in the numerator & total no. bids as denominator, shall sign each page of the bid and if there is any correction the same shall be rounded & initialed.

vi) Minutes of bid opening shall be prepared & signed by all the bid opening officials.

b. **Scrutiny of Tenders for Completeness by Scrutiny Committee:**

After opening of the Bids, the following aspects shall be scrutinized –

ii) Meeting the eligibility requirements specified

iii) Signed by authorized signatory

The unpriced technical bid shall spell out bidder's agreement to adhere to the terms & conditions of tender & also include all details regarding implication of taxes, duties, packing / forwarding, freight, transit insurance, delivery period, shelf life, packing size etc. except for the price of items under tender. The bid document EMD (if any) along with the above information shall be submitted in the Technical bid in a separate sealed cover prominently super scribing TECHNICAL BID along with bid-reference & due date.

The price bid shall contain the prices of the items and shall be submitted in another sealed cover super scribing PRICED BID alongwith reference & due date.

Both technical & priced bids shall then be put in one envelope, sealed, superscribed with bid reference due date and shall be submitted as per bid condition.

12) **Tender Opening Procedure:**

a. **Under single Bid systems-**

As mentioned in para 11 g (vii) the tenders should be generally opened after one hour from the deadline of receipt of tenders.

i) For opening of the tenders, a committee with representative of Finance and the Deptt. issuing tender shall be constituted.

ii) Tenders shall be opened in public i.e. in presence of the intending bidders or their authorized representative. In the bid opening statement signature of those present shall be taken.

iii) All tenders except the late ones shall be opened and at bid opening stage no tenders shall be rejected. Late tenders shall be returned to the bidders unopened. Unsolicited bids (in case of Limited Bids shall also not be considered).

iv) The name of the bidder (and total amount of each bid in case of single bid system) along with important terms & conditions like implication of Excise Duty, Sales Tax, Packing and forwarding charges, delivery period, transportation charges and special conditions, if any, shall be read out but offers shall not be handed over to bidders.

v) The bid opening officials shall number the offers with a serial no. in the numerator & total no. bids as denominator, shall sign each page of the bid and if there is any correction the same shall be rounded & initialed.

vi) Minutes of bid opening shall be prepared & signed by all the bid opening officials.

b. **Scrutiny of Tenders for Completeness by Scrutiny Committee:**

After opening of the Bids, the following aspects shall be scrutinized –

ii) Meeting the eligibility requirements specified

iii) Signed by authorized signatory

iv) Accompanied by required Earnest Money and the same valid for the period specified in the bid document.

v) Have financial & technical capability as specified in bid document.

vi) Bid is substantially responsive i.e. there are no material deviations from or reservations to the terms, conditions and specifications in the tender documents.

In case the above condition are not fulfilled, the bid shall not be considered for further evaluation and the bidder shall not be permitted to correct or withdraw the material deviations or reservations after opening of the tender.

c. Bid Opening in 2 Bid System by Tender Opening Committee.

While opening the bids, the technical bids shall be opened first and then evaluated for technical acceptance. The Tender opening procedure shall be identical to the Bid opening procedure described above except in case (iv) i.e. reading out the total amount (as the price bid shall remain in sealed cover). The price bid opening shall take place separately as described in subsequent para. Only the bids meeting the prequalification criteria shall be considered technically acceptable and no deviation whatsoever, to such criteria shall be accepted and no change shall be allowed to be incorporated after bid opening.

In the public opening of technical bids, the data submitted by the bidders in respect of pre-qualification criteria along with other terms & conditions shall be read out.

The sealed cover containing the priced bid shall be numbered in the same seriatim as that of the technical and shall be kept in the safe custody of a senior officer of the procurement cell.

On the date / time & venue as notified earlier, the price bid opening shall take place.

The tender opening committee shall collect from the safe custody the serially numbered sealed covers of price-bids for opening in public i.e. in presence of bidders or their authorized representatives.

As in the case of technical bid-opening, in the bid opening statement, signatures of all those bidders / representatives present in opening shall be obtained.

The name of the bidder and total amount quoted along with important terms & conditions shall be read out.

d. Technical Evaluation of Tender

As in the case of scrutiny of tenders of completeness (in case of single Bid system), the technical bids of 2 bid systems shall be examined to ascertain whether-

i. all pre-qualification criteria have been met.

ii. Has been signed by authorized signatory & whether copy of Power of Attorney enclosed.

iii. Accompanied by Earnest Money as required & whether valid (in case of BG) for the specified period.

iv. Whether the bid is substantially responsive i.e. whether there deviations from or reservations to the terms and conditions, specifications in the bid document.

A comparative statement of technical bids shall be prepared and the technically acceptable bids shall only be considered for further price evaluation.

Bidders found to be technically acceptable i.e. those meeting the pre-qualifying criteria & making substantially responsive offer shall be informed of price-bid opening with date time & venue of such opening.

- Technical evaluation shall be strictly as per bid document & shall be unambiguous in its scope i.e. either the bid is acceptable or non acceptable.
- In case of any minor change in specification or scope of supply, subsequent to technical query or technical negotiation, only price implication in sealed cover, for such change and not revised price for the entire offer shall be asked for and accepted.

If the major scope/spec. change takes place after technical evaluation, the tender has to be cancelled and to be reflected with revised scope & specification.

In case a bid is found to be technically not acceptable, the relevant price bid shall not be opened and the EMD, if any, shall be returned.

Technical evaluation of the bids shall be tabulated w.r.t. the qualifying criteria spelt out in the bid document and technically acceptable bids shall be highlighted for opening of price bid.

e. **Submission of Samples:** Submission of samples is normally discouraged. However, in certain cases like surgical items & sutures, it may be necessary to ask the bidders to supply samples of the items they have offered. In such cases, bidders shall be advised to submit alongwith their technical bid, at least 3 pcs. of sample of each item with district identification marks. These samples shall be evaluated for acceptances along with the technical bid. Priced offers of the bidders whose samples have been found acceptable shall only be opened. The 2 of each accepted samples shall be retained in safe custody of the purchaser for future reference / comparison. No subsequent replacement, after submission of samples, shall be allowed.

f. **Confidentiality:**

After public opening of tenders, process of further evaluation of tenders and recommendations regarding award shall not be disclosed to the bidders or any other person not officially connected with the tenders until the successful bidders is notified of the award of the contract.

g. **Commercial / Financial Evaluation of a Bid**

In case of subsequent price implication due to Tech. query / commercial query, the same shall be opened along with the original price offer.

After opening of the price bid in both Single Bid & 2 Bid systems a comparative statement shall be prepared in a standard format. After tabulation of the basic quoted rates of each item of each bidder, additional components having direct bearing on the cost shall be added to tendered cost. These components may be packing, forwarding, duties, taxes, freight, insurance etc.. Further, other conditions given by the bidders which have financial implications (like payment terms, rebate / discount etc.) are to be taken into account and the final comparable cost of each bidder shall be arrived at.

While tabulating the above implications are separately evaluated as a fraction of the basic price and the sum of the basic price as one and all these fractions of each bidder is taken as a loading factor for a particular bidder. The basic price multiplied by the loading factor shall give the comparable financial involvement of each bidder.

While preparing the comparative statement, if some discrepancies are found between the rates given in words and in figures, or the amount shown in the tender, the following procedure shall be followed:-

- When there is a difference between the rates in figures and words, the rate quoted in words which corresponds to the total amount worked out by the bidder shall be taken as correct.
- When the rate quoted by the bidder in figures & words tallies but the amount is not correct, the rate quoted by the bidder shall be taken as correct and not the amount.

If a bidder does not accept the correction of errors, its bid shall be rejected & bid money will be forfeited.

Comparison of price of all the bidders shall be on landed cost basis and shall include basic price, all taxes & duties, packing & forwarding, freight, transit insurance, handling & in case of equipment installation, commissioning training & annual maintenance cost for five years.

Conditional discount offered by a bidder shall not be taken into account for evaluation & price comparison. However, if such bidder happens to be the lowest bidder, the conditional discount shall be considered while awarding the contract.

h) **Rejection of All Bids**

Though the bid document usually has a provision for rejection of all bids, rejection of all bids is justified only when there is lack of adequate competition, or when none of the bids are substantially responsive or when bid prices are substantially higher than the budget and negotiations with L1 bidder fails to bring down the prices to an acceptable level.

Lack of competition shall not be determined solely on the basis of the no. of responses. Even when only one bid is received, the bidding process may be considered valid, if the bid was adequately advertised and the quoted prices are reasonable in comparison to the market prices.

However, if all bids are rejected, the causes justifying the rejection shall be given for revision of (a) conditions of contract or (b) design & specification or (c) scope of the contract or a combination of these aspects before inviting fresh bids. Any such changes in the bid document shall have the approval of the competent authority.

If the rejection of all bids is due to lack of competition wider advertising shall be considered.

If the rejection is due to most or all of the bids being non-responsive, new beds may be invited on limited tender basis.

Rejection of all bids and invitation of new bids on the same bidding documents solely for the purpose of obtaining lower prices should not be resorted to. If the lowest evaluated responsive bid exceeds the pre-bid cost estimates, by a substantial margin, the causes for such excessive cost should be investigated and scope / spec. may be reviewed for the new bid.

Rejection of all bids, review of bid document / scope change and reinvitation of new bid, irrespective of value shall be referred to the competent authority for approval.

13. Negotiation

In general, negotiation after opening of tender shall be discouraged. However, in exceptional cases, in case the lowest bidder's price happens to be abnormally high or in a tender with a large no. of items, rates quoted by L1, bidder for some of items are irrational negotiation may be carried out only with the L1 bidder.

Further, (i) if the capacity of L1 bidder is limited & cannot meet the total requirement of the tender or (ii) in case it is considered necessary on strategic reasons to have a no. of suppliers as alternative sources for same items, negotiations may be carried out with L2, L3, L4 etc. bidders (depending on the no. of alternative sources to be retained) to bring down their prices to the level of or as near as the price quoted by the L1 bidder.

While fixing date for negotiation, sufficient time should be allowed to the bidders to attend the same.

Negotiation shall always be carried out by an authorized committee and not by an individual.

If the rates remain higher after negotiation fresh tenders should be invited.

14. Extension of Bid Validity

To the extent possible, the contract should be finalized within the original validity of the offers mentioned in the tender. However, an extension of bid validity, if justified by exceptional circumstances and with the approval of the competent higher authority, shall be requested in writing from all bidders with valid bids before expiry of the original bid validity. Bidders shall have the right to refuse to grant such an extension without forfeiting their Earnest Money and those who extend their bid validity shall be required to suitably extend their earnest money.

15. Pre-bid Conference

A pre-bid conference may be arranged for procurement of complicated equipment or systems, wherein the potential bidders can interact with the representatives of the implementing authority to understand the requirement and / or to seek clarifications on various technical as well as commercial issues. In such a case, date & venue of the pre-bid conference shall be mentioned in the bid document.

Minutes of Meeting of pre-bid conference shall be drawn and shall be furnished to all the bidders who have already purchased bid documents and shall be given along with bid documents to parties purchasing the document subsequent to pre bid conference.

16. Pre-qualification

The pre-qualifying criteria has been elaborated under tendering in 2-bid system in clause No. 8 (b).

17. Pre award Physical Assessment

Prior to award of the contract, if considered necessary, a team of 3-4 officers may be deputed to the premises of the manufacturer on whom the contract is proposed to be awarded, to physically verify the manufacturing facilities, quality testing & assurance facilities, resources etc. Based on the committee's report and approval of the competent authority the contract may be awarded to the successful bidders.

18. Notification of Award

After due approval of the competent authority and within the validity of the bids (or within the extended bid validity as the case may be), the contract shall be awarded to the technically acceptable lowest evaluated bidder i.e. the bidder who meets the tender

conditions in all respects, have necessary technical capability, financial resources, whose bid is substantially responsive and the lowest evaluated cost.

The successful bidder shall be notified in writing regarding acceptance of their bid and this notification shall form a part of the contract.

Upon the successful bidder's furnishing of the signed contract form and the performance security, each of the unsuccessful bidders shall be promptly notified about award of the contract also the bid security shall be discharged.

19. Debriefing

After notification of award it an unsuccessful bidder wish to ascertain the grounds on which his bid was not selected, he may send his request in writing to the purchaser. The purchaser shall promptly respond in writing to such unsuccessful bidder who request for a debriefing.

20. Signing of Contract

Immediately after notification to the successful bidder that his bid has been accepted, the contract form provided in the Bidding Document, incorporating all agreements between the parties shall be sent to him.

Within 28 days of receipt of the Contract form, the successful bidder shall sign and date the contract form and return it to the purchaser.

21. Performance Security

Within 28 days of the receipt of notification of award of contract, the successful bidder shall furnish the performance security in accordance with the conditions of the contract, using the Performance Security Form provided in the bid document.

22. Annulment of Award, Forfeiture & Fresh Award

Failure of the successful bidder to comply with the requirements of signing of contract and / or submission of performance security within the time schedule as stipulated above shall constitute sufficient grounds for the annulment of the award and forfeiture of the bid security.

Under such a situation, the proposal may be reviewed for award of the contract on the next lowest evaluated technically qualified bidder or go for a fresh bid depending on the circumstance. In case it is decided to go for the next lowest bidder, negotiation may be considered to bring down their price nearer to the originally evaluated & lowest bidder.

(37

23. **Repeat Order**

In cases of competitive bidding, the ordered quantities may be increased upto 50% of the quantity of the original order through Repeat Orders after recording reasons prov ded such orders shall be given before the expiry of contractual delivery date of the original order and subject to the condition that the prices have source not gone down during the intervening period and the items were required urgently.

24. **Quality Assurance**

a. Necessity-

- The quality of Drugs, Equipments, Surgicals and Consumables is a critical factor in safeguarding the health of the population. Poor quality of pharmaceuticals, vaccines & contraceptives etc. will not only defeat the very purpose of their use, rather those may be detrimental to the health of the users. In the procurement process, product quality is ensured through preparation of comprehensive technical specifications, purchasing from qualified manufactures & suppliers, appropriate testing and monitoring of the goods through out the chain of delivery, warehousing, and distribution.

For ensuring quality while in the distribution system a reliable system has to be implemented to monitor expiry dates and storage conditions along with reporting of product defects as well as adverse reactions.

In case internal / departmental delivery system is inadequate a qualified freight forwarder may be engaged on contract with suitable penal provision in the contract for failure to execute as per instruction & schedule.

b. Adherence to Good manufacturing practice-

- In line with Good Manufacturing Practices (GMP) of WHO the Drug Control Authority of India has laid down criteria for personnel, facilities, equipment, material, manufacturing operations, labeling, packaging, quality control & stability testing. Manufacturing licenses are issued on compliance of GMP & the same is enforced through periodic inspections & regulatory controls. Certificate of GMP for the National Drug Regulatory Authority may be a condition of qualifying criteria.

(36

c. Testing-

- For products like drugs, vaccines & condoms, it is essential to test for quality before dispatch takes place from manufactures premises.

All products are to be tested for acceptance after receipt.

- Samples for testing and control samples will be drawn, batchwise, immediately on receipt of the stocks at the warehouses.
- These will packed in unmarked envelopes or other containers to the extent possible. The packaging is relabeled with a code number generated by computer.
- Testing will be done by a laboratory from among a panel of accredited private laboratories. Selection of the lab. is also randomized and the lab. is unaware of the identity of the sample. This testing is additional to the statutory testing by the Drugs Controller.
- Sutures and surgical instruments will be examined by a panel of Surgeons.
- Once the result came in the stock is utilized if the quality is acceptable. If not, the stock is frozen by sending a message to the warehouses and a second sample sent for testing to a different laboratory. A second failure in the testing leads to rejection.
- The payment for the frozen batch is not made to the manufacturers . Rejection invites the contractually agreed penalties in addition to non payment.
- All stocks and supplier's manufacturing facilities will be inspected at specified intervals of time.

The authority to conduct testing for quality assurance is to be specified in the tender document along with sample size, test procedure etc.

- Capital medical equipment should have Factory Acceptance Test (FAT) and also testing at site after proper installation, commissioning & calibration.

During the process of installation & commissioning at site technical personnel of the deptt. Is to be associated to take care of any minor problem that may occur subsequently.

d. Failure & Recall-

- In case there is failure of a drug / product, adverse reaction, or recall from the market, the supplier must promptly inform the purchaser of any such event & replace the affected item by an acceptable one.

e. Purpose of Quality Assurance-

- The purpose of Quality Assurance in the drug supply system is to ensure that each pharmaceutical, vaccine & contraceptive reaching the patient or the client is safe, effective & of standard quality. Without assured quality the products cannot fulfill the desired objective i.e. curing illness, preventing diseases or controlling fertility.

f. Scope of Quality Assurance-

The term "Quality Assurance" is not limited only to laboratory testing of samples but encompasses a much comprehensive area covering the entire system starting from selection to end use.

i. The characteristics of Drug Product Quality in general are as follows –

Identity	-	Presence of correct active ingredient
Purity	-	Not contaminated with other ingredients.
Potency	-	Correct amount of active ingredients.
Uniformity	-	Consistency of composition, shape, size and colour.
Bioavailability	-	Speed & completeness of action.
Stability	-	Activeness ensured till expiry.

ii. Product quality is dependent on the following parameters-

- Manufacturing facility consisting of equipment & maintenance, plant environment, in house keeping, manufacturing process, quality control programme.
- Product formulation consisting of active ingredients, inactive ingredients
- Packaging – immediate and external
- Handling & Storage conditions.

g. Quality Assurance plan in Technical Specification of Bid Document-

In order to ensure adherence to the Quality Assurance plan, the technical spec. in the bid document must contain adequate provisions such as –

- Pharmacopoeia reference standard
- Language & labeling,
- Shelf life
- Packaging
- Certificate of manufacturing facility like WHO's GMP
- Physical inspection with frequency
- Laboratory testing / analysis
- Storage & handling / transportation.
- Reporting system for suspect products.
- Labelling instruction
- Case identification
- Unique identification marks
- Standard of Quality Control
- Product qualification requirement
- Marking requirement
- Lot Traceability
- Quality Control Testing
- Sample & physical inspection of each batch
- From each batch received, a retention sample to be preserved
- Laboratory listing (e.g. 30% of batches to be reanalyzed at approved laboratory)

h) Responsibility of Quality Assurance:

Generally documents like GMP, Drug Licence etc. are verified at the tendering stage. Thereafter, when materials are supplied to the warehouses, the manufacturer's Q. C. document is checked & visual inspection of the supplied items alongwith packeging is carried out.

For the purpose of detail chemical / technical analysis, normally a no. of competent laboratories are empanelled on item rate contract basis, whose test results are accepted by both the purchaser & supplier. For conducting such tests, detail sampling procedure shall be drawn up.

However, in case of any dispute on the test results, samples are to be tested at the govt. laboratory and the results there from shall be accepted by both the parties.

(33)

25. Qualification & Monitoring of Bidders

Qualification of a bidder to supply certain goods & services is decided based on their technical and financial capability, past experience of similar supplies performance achieved

Sub-standard and spurious drugs have become a big menace throughout the world, more so in the developing countries. Therefore, it has become essential to qualify & monitor manufactures / suppliers of drugs so as to locate reliable suppliers with assured quality standards at optimum cost.

Prequalification of a manufacturer / supplier has got both advantages as well as disadvantages a few of which are enumerated below, -

Advantage	Disadvantage
- Eliminates submission of unacceptable / undesirable bids	The process is prolonged and may result in delay in delivery
- Promotes wider participation of capable bidders	Requires higher initial processing time
- Promotes competition among qualified bidders	May lead to collusion or cartel
- Allows decision on best procurement process & terms	
- Discourage unscrupulous bidders	

However, from wider experience of various agencies, it has been found that pre-qualification has far reaching advantages compared to a few disadvantage of minor consequence.

Therefore, barring a few exceptional circumstances and also single tender cases, it is advisable to follow the prequalification route, which in a simpler way is the 2-bid system as described earlier.

But it is to be borne in mind that in this system, the bid document must spell out in clear and unambiguous terms, the requirements of pre-qualification criteria which shall be adhered to for considering a bidder technically qualified or not.

26. Despatch of Materials:

a. Notification of Despatch / delivery of Consignment & Documents thereof:-

Upon dispatch or delivery, the supplier shall send the following documents-

- Packing slip quoting order No. & date of dispatch describing all the material, with full details of the contents of the packages, quantity dispatched.

- Test certificates from the manufactures / testing agency as per requirement of the contract.
- Guarantee / warranty certificates of the items dispatched.
- The bill or invoice for the items dispatched, along with Excise Duty Gate Pass.
- Railway Receipt / Consignment note in the form of Lorry Receipt or the Bill for loading (in case of import) drawn on the name of the consignee.

The above documents immediately after dispatch of materials should be sent by the suppliers to the consignee by registered post acknowledgement due or by speed post or in exceptional cases by courier service.

The supplier shall bear & reimburse to the purchaser, demurrage charge, if any, paid by the reason of delay on the part of the supplier in forwarding the above mentioned documents.

b. Clearance of Consignment

Imported Material: In case of imported materials, the consignment arriving at the port of import, has to be cleared through the customs authority, for which elaborate procedure exists. Since, the purchaser is not likely to have the expertise in this field, it is advisable to engage a custom clearing agency on contract basis. The customs clearing agent will be duly authorized by the purchaser to take all necessary action (viz. submission of documents, payment of duty, loading / unloading of consignment, handing over to the local transporter etc.) on behalf of the purchaser to the consignee.

c. Receipt of the Consignment

At the time of delivery of the materials at the designated destination or warehouse, the consignee should accept the materials with remarks "said to contain" and should issue provisional receipt certificate. Only after opening the packages and making detailed examination of the receive materials and test / guarantee / manufacturing certificate and after his full satisfaction with the quality of goods, the consignee will issue the final acceptance certificate. Notwithstanding the inspection / certificate of the goods by the inspection agency prior to despatch, the consignee has the right to further inspect & test the goods to his entire satisfaction but within a reasonable time (not more the 60 days) and if the goods fail to meet the specifications given in the contract, the consignee shall reject the goods and ask the supplier to replace the goods or rectify the defects, if feasible & acceptable.

The goods accepted on inspection shall be taken into stock. The rejected goods shall be kept separately in an easily identifiable location, away from the accepted / useful items. For each consignment an Acceptance / Rejection Report shall be generated & copy of which shall be sent to the purchaser, paying authority and the warehouse. Further proper records of

rejection of each individual supplier should be maintained in order to assess their quality performance to be reviewed for future supplies.

It is the responsibility of the supplier of defective materials to take back the rejected materials from the consignee's premises and to replace the same with materials of acceptable quality.

27. Warehousing / Storage

a. Moving to Warehouse accepted materials-

The materials received from the suppliers after inspection and acceptance are moved to the warehouse or to the store of the consignee.

From experience it has been observed that good quality goods, properly packed (except some drugs, vaccines & specific items), do not deteriorate when stored at average temperature found in tropical climates, without exposure to sun and rain.

Most commonly used pharmaceuticals in the form of tablets, capsules, syrups, & emulsion are stable if protected from light and direct heat and stored in a well-ventilated environment.

b. Ideal Storage condition-

The following are the ideal storage & transportation conditions required for most of the pharmaceuticals & vaccines as per technical data. Protection from excessive humidity is also important for most of the items, although these standards of humidity & temperature may be difficult to be achieved at many of the locations.

i) Common medicines (e.g. tablets, capsules, granules syrups & emulsions): To be stored in a cool dry place below 30°c. Can stand transit hazards for short period.

ii) Injectables, antibiotics, ophthalmic items, certain syrups & sterile ointments: To be stored in cool room at the temperature between 15°c to 25°c. To be delivered in special containerized vehicles.

iii) Most vaccines, sera, and immunabidogicals: To be stored between 2°c to 8°c. To be transported in cold boxes.

iv) Polio & measles vaccines, some Toxoid: To be stored below – 4°c in deep freezers. To be transported in freeze chambers or in refrigerated vehicles.

c. In-transit handling storage-

When products require special handling & during transit & subsequent storage including in-transit storage, these requirements must be clearly stipulated in the bidding documents.

The supplier should alert the transporter as well as the consignee to take adequate precautionary measures during transportation, handling & storage for such items.

If quality assurance measures are strictly followed during the manufacturing process and subsequent packaging, the conditions of handling transportation, warehousing & storage play a major role in ensuring that quality goods of desired efficacy reach the final user in good condition.

d. Arrangement of materials in warehouse, issue and accounting-

The storage and warehouse should be properly organized having different bins for different items and identified location for each items. For every item a bin card has to be maintained which shall record item description, code No. (if any) quantity received / issued / in stock, with batch Nos. which shall be updated after every transaction. The receipted items should be left in their original packaging while in storage. The batch no. & marking as the cartoons should be recorded to ensure that all batches are traceable. While distributing / issuing the items to the users, it is to be ensured that items with earlier expiry is issued first.

The items requiring special storage conditions like temperature control or humidity control should be stored in appropriate condition.

- Monitoring of expiry dates and issue to users accordingly must be done on continuous basis in order to avoid expiry of shelf-life resulting in avoidable expenditure.
- The stock of items in the warehouse has to be verified and updated on continuous basis. The discrepancies of quantities have to be justified & regularized with the approval of the competent authority. Statement of stock verification & adjustments, if any, are to be circulated to all concerned.
- The warehouse has to take the responsibility of disposal of expired / damaged items for which a separate procedure may be evolved depending on individual merits.

e. Monthly MIS-

- The warehouse shall generate monthly MIS of receipts, issues, stock & disposal highlighting major items reaching expiry of shelf-life in the next 2/3 months & also stock out situations.

28. Logistics

a. Necessity-

Logistics plays a very vital role in the supply chain of health sector goods. Vaccines are needed for prevention, pharmaceuticals for curing illnesses, contraceptives to meet reproductive health needs & nutritional supplements to improve nutrition. The distribution chain of these goods extends through central, state and / or district warehouses to reach the

user. Unless this distribution system is effectively and efficiently operated, the objective of any health project cannot be met.

b. Shelf-life vis-à-vis Logistic Efficiently-

As a result of weak management of logistics, poor communication facilities, and / or unrealiable transport system / arrangement it may take inordinate time for the goods to reach the user after they reach the central warehouse. For limited shelf-life items this is serious problem, especially if shelf-life standards are not rigidly enforced at the procurement stage. In such a situation, it may so happen that by the time the stock arrives at the site it has to be sent back to the central warehouse or destroyed because of expiry of shelf-life or there is lack of capacity to consume or store the large quantity received.

Stipulating that all products must have a specific period of shelf-life remaining upon at the port of entry in case of import or at the place of delivery, may mitigate a part of the consequences of distribution inefficiency. But this by itself will not solve of problem of expiry of shelf-life if the local logistics is inadequate.

c. Outsourcing of delivery and distribution-

If distribution problems relate to poor communication and management by the purchaser, delivery upto the district level may be entrusted to the supplier & thereafter by the deptt. Or a separate contract may be awarded for distribution from the central warehouse to the district & PHC/Sub-centre level.

Transportation & distribution of goods down the line from receipt points to various locations may be done departmentally, if departmental resources viz. vehicle & manpower are already available. Otherwise it will be advantageous to line up a competent contractor / agency for doing this job, under strict supervision & monitoring of the department. The terms & conditions of the contract should be suitably framed to obtain the desired services in an efficient & economic manner.

d. Adequate Storage Facility including cold chain-

Although pharmaceuticals & contraceptives should not be exposed to extended periods in extreme temperatures, vaccines, unlike most of the medicines & contraceptives must be kept within certain temperature ranges throughout the process of transportation from the manufacturer to the health centre. Availability and continuous proper operation of cold chain is essential in maintaining the efficacy of the vaccines. Therefore assessment of availability, condition of the cold chain prior to procurement of goods, and prevailing for rectification of deficiencies in the existing storage facility should be undertaken to safeguard a valuable investment in vaccines.

Satisfactory storage facility in terms of capacity and its suitability to protect & secure health sector goods is a vital component of logistics. The storage infrastructure at central as

well as at the district levels and below should be assessed and augmented, if necessary. Otherwise inadequate capacity at any level may expose supplies to adverse climate conditions that may damage the goods. Further, in case of large procurements and procurement for extended periods may be phased into a no. of shipments to tide over the inadequate storage capacity at central level.

e) Review of Warehousing facility, stock position and stock transfer-

The distribution system for drugs / medicines, vaccines and contraceptives at various levels need to be reviewed in a comprehensive manner to arrive at on optimum solution for the entire network.

- As mentioned earlier above, the receipt of supplies may be decentralized to district / sub-centre level depending open the quantity / volume & value of the supplies. In such cases, the delivery points and quantities to be delivered at different points shall be highlighted in the contract itself.
- The stock level, uses and storage capacity of the commodity at various locations should be continuously monitored to avoid under stocking or overstocking.
- Depending on the review of the above data stock transfer should take place from overstocked locations to under stocked locations.

29. Laws Governing the Contract

- The contract shall be governed by the laws in force in India
- The courts of the place from where the acceptance of tender / award of contract has been issued shall alone have the jurisdiction to decide any dispute arising out of or in respect of the contract.
- Irrespective of the place of delivery, the place of performance or place of payment under the contract or the place of issue of advance intimation of acceptance of tender, the contract shall be deemed to have been made at the place where the acceptances of the tenders have been issued.

30. Resolution of Disputes

a. Possible Causes of Disputes

The possible causes of dispute in a contract may be due to-

i) Interpretation of the terms and conditions of the contract
ii) Delay in delivery of goods or completion of works.
iii) Delay in release of payment.
iv) Laboratory test Results – In-house as well as Independent lab.
v) Condition of items on arrival of consignment and & after delivery.
vi) Rate of items, variation in quantity in case of works contracts

vii) Design / specification issues.

b.i) Dispute over Laboratory Results

Disputes over product acceptance usually arise when testing by an independent laboratory / agency determines that the product offered is not in compliance with the required specification or standard. The manufacturer may also dispute a decision made by the inspection agency regarding unacceptable product packaging or appearance.

ii) Umpire Analysis

In most cases, manufacturers accept the results of the independent laboratories and replace the rejected batches. When the manufacturers do not accept the test results, they normally present test results or other evidence to suggest that the results of the independent laboratory are not correct and do not accurately represent the quality of the product tested. In such an eventuality, a sample drawn jointly by the supplier and the purchaser or his authorized representative and authenticated by both, will be forwarded for Umpire analysis within 4 (four) weeks of the time the supplier contests to an independent agency neutrally agreed by the purchaser & the supplier. The umpires finding, which will be prompty obtained, will be final & binding on both the parties. The cost of umpire analysis will be borne by the losing party.

iii) Decision of Retesting / Umpire Analysis

Decision on retesting should be undertaken only after ascertaining possibility of a mistake made by the laboratory. Before considering retest, the following issues need to be reviewed –

- The margin by which the product has failed to comply.
- History of past performance / production of the manufacturer to the client.
- The nature of difference between the manufacturer's results & the laboratory test result. If possible, the laboratory should preserve failed samples of the goods for manufacturer to recheck / test.

c. Adjudication / Review Board

The dispute resolution methodology should be very clearly indicated in the contract document. As far as possible, it should be endeavored to resolve disputes with mutual agreement between the purchaser & the contractor / supplier through alternate dispute resolution mechanism in the form of Adjudication or review Board to avoid going through lengthy arbitration and litigation stage.

(26

d. **Arbitration**

In the event of any question, dispute or difference arising under the contract conditions or any special conditions of the contract, or in connection with the contract (except as to any matters the decision on which is specification provided for by these or the special conditions) which could not be resolved by the adjudication/ review board to the satisfaction of the parties concerned shall be referred to the sole arbitration of an officer, from a department other than the department who has decided the contract, having adequate knowledge of contract matters & law, appointed to be the arbitration by the purchaser. The award of the arbitrator shall be final and binding on the parties to this contract.

- In the event of death of the arbitrator or on his neglecting or refusing to act or an resigning or on being unable to act for any reason or on his award being set abide by a court of law for any reason, it shall be lawful for the purchaser to appoint another arbitrator in place of the outgoing arbitrator in the manner mentioned in the previous para.
- It is further a term of the contract that no person other than the person appointed by the purchaser as aforementioned should act as an arbitrator and that, if for any reason that is not possible, the matter is not to be referred to arbitration at all.
- The arbitration may, from time to time, with the consent of the parties to the contract, extend the time for making the award.
- Upon every and any such reference, the assessment of the costs incidental to the reference and award respectively shall be at the discretion of the arbitrator.
- Subject as aforesaid, the Indian Arbitration & Conciliation Act, 1996, amended upto date and the rules there under and any statutory modifications thereof for the time being force shall be deemed to apply to the arbitration proceedings under this clause.
- If the value of the claim in a reference exceeds Rs. 1 lakh the arbitrator shall give reasoned award.
- The venue of the arbitrator shall be the place from where formal acceptance of tender is issued or such other place as the purchaser at his discretion may decide.

The clause on arbitration shall have the consent of the bidder.

(25

31. Vendor Rating System

This is an instrument to evaluate the performance of a supplier and an integral part of supplier selection and evaluation system. The parameters of evaluation should include product, process, quality & financial assessment. It helps in improving supplier's performance & also acts as a tool in prequalification process.

The rating system should include objective & measurable criteria and should avoid any subjective assessment.

A normal rating parameters may be as follows & may be modified depending on the nature of item or services required.

Criteria		Maximum marks
1. Quality of Material	Ordered vs. Actual	40
2. Quality of Delivery	Ordered vs. actual (packing etc.)	20
3. On time delivery		20
4. Price Competitiveness		10
5. Quality of Communication/Invoicing, shipping documents etc.		10
	Total	**100**

The overall assessment shall be as follows-

Marks obtained	Rating
80-100	Excellent
70-80	Very good
60-70	Good/Average
40-60	Below average
0-40	Poor

Since quality of supply is of paramount importance, in criteria (1) minimum acceptable score should be 30. A supplier obtaining less than 30 in Quality should be disqualified from future bidding. Such supplier may be put or Holiday for a certain period (say 6 months) and may be considered for sample orders to find out their improvement in Quality criteria.

32. Complaint Redressal Mechanism

In order to effectively deal with the complaints received from the contractors / suppliers, a complaint handling mechanism should be in place at state as well as local levels and immediate action should be initiated on receipt of complaints to redress the grievances. All complaints should be handled at a level higher than the level at which the procurement process is being undertaken and the allegations made in the complaints should be thoroughly inquired into. If found correct appropriate remedial measure should be taken. In case any individual staff is found to be responsible, suitable disciplinary proceedings should be initiated against such staff under Govt. conduct rule and also as per Indian law and instructions of the Central Vigilance Commission.

D. Audit

All actions taken and documents generated in procurement of goods & services are subject to post-audit with respect to procedural adherence and financial propriety by various agencies like State Audit Deptt, CAG & by Development partners providing the fund. Therefore, all documents pertaining to each case of procurement shall be filed systematically and preserved safely so that the same can be produced to the concerned authority as and when asked for.

In case, after scrutiny, observations are made by the audit agency, proper, appropriate and factual reply should be submitted within the stipulated time frame. Reply to audit queries must be given due cognizance in view of statutory nature of the audit bodies.

Conclusion

While preparing the procurement procedure, it has been endeavored to adopt the best practices followed by the majority of the purchasers fulfilling the basic objectives of a sound procurement system i.e. efficiency, transparency & economy.

As already highlighted procurement of Health Sector Goods (HSG) has got certain inherent complicacies and therefore need to be handled in a highly professional manner as procurement encompasses purchase, transportation, warehousing and distribution. Each link in the supply chain is very vital with respect to the ultimate objective of delivering the required goods & services to the target population. It is more so in the Indian context due to vastness of the country and geographical as well as socio-cultural diversity.

Cost-wise procurement is one of the major components of any health programme and therefore an efficient procurement system is expected to be cost-effective.

In the decision making process for procurement of goods & services, the authority and accountability should be commensurate. The decisions are normally taken collectively with a committee approach and therefore prior to finalizing a decision, all the pros & cons of a procurement proposal should be discussed threadbare in order to take a equitable, judicious, transparent and above all, an economic decision. In order to achieve this, the approved procurement procedure should be followed with minimum of deviations. Deviations, if at all necessary, should be properly justified and should be approved by an authority empowerment to do so.

However, in case of frequent and repetitive nature of similar deviations, it may be worth while to review and amend the relevant clauses of the procedure. After all, like any other policy and procedure, this also has to follow the natural evolution process and therefore with the passage of time new issues/ ideas and situations shall develop which will have to be dealt with appropriately keeping in view the basic tenets of efficiency, transparency and economy.