

## Procurement Manual

## Introduction:

1. The development objective of the 'GRAM SWRAJ PROJECT' is to improve the effectiveness of service delivery by Karnataka's *Gram panchayats* (village governments) particularly with respect to the management of public resources and the delivery of relevant services that the rural people prioritize.
2. The strategy to achieve this development objective is to improve and augment the flow of funds to *Gram panchayats*, develop the capacity of all three tiers of district, block and village *Panchayats*, as well as of some state agencies, and improve the information flow to enhance transparency and accountability of local governments to their constituents. The components of the projects are as follows:

*Component (A) Block grants to Gram panchayats.* The project would finance block grants to *Gram panchayats*. The block grants would finance services listed in *Panchayat* participatory plans and budgets.

*Component (B) Information Systems for Constituents.* This component would increase the ability of rural people to voice their demands on local governments and elicit responses from them, in particular for the poorest and excluded people such as women, scheduled castes and scheduled tribes.

*Component (C) Building the capacity of Panchayats.* This component would increase the capacity of all three levels of *Panchayats* in managing resources, collecting revenues and delivering services.

*Component (D) Building the capacity of the State.* This activity would put in place systems at the state level to enable it to oversee, facilitate and manage the *Panchayat* system.

3. Under this project GPs are responsible for implementation of component A. Project Monitoring Unit (FC), DAC & ANSSIRD are responsible for component B, C&D. Taluka Panchayaths are responsible for the construction of Taluka Resource centres.
4. The project period is from September 2006 to September 2011. The allocation of various components of the project are detailed in the table below:

## Project Cost

Gram Swaraj -Karnaka Panchayat Strengthening Project													
Disbursement Accounts by Financiers													
(Rs. Crore)													
(US\$ Million)													
Items	IDA		Government		Total		IDA		Government		Total		
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
I Block Grants													
Grants	510.00	100.0	-	-	510.00	85.0	113.33	100.0	-	-	113.33	85.0	
II Goods, Works and Services													
1. Training and Capacity Building	6.60	33.0	13.40	67.0	20.00	3.3	1.47	33.0	2.98	67.0	4.44	3.3	
2. Civil Works	12.71	33.0	25.80	67.0	38.50	6.4	2.82	33.0	5.73	67.0	8.56	6.4	
3. Consultancies & Management - ANSSIRD	0.99	33.0	2.01	67.0	3.00	0.5	0.22	33.0	0.45	67.0	0.67	0.5	
4. Consultancies TRCs	0.99	33.0	2.01	67.0	3.00	0.5	0.22	33.0	0.45	67.0	0.67	0.5	
5. Goods and Equipment	0.83	33.0	1.68	67.0	2.50	0.4	0.18	33.0	0.37	67.0	0.56	0.4	
6. Action Research & Development	0.25	33.0	0.50	67.0	0.75	0.1	0.06	33.0	0.11	67.0	0.17	0.1	
Sub Total	22.36	33.0	45.39	67.0	67.75	11.29	4.97	33.0	10.09	67.0	15.06	11.3	
III Incremental Operating Costs (FC & DAC)													
1. Salaries, TA & DA, Contingencies	3.53	33.0	7.18	67.0	10.71	1.8	0.79	33.0	1.59	67.0	2.38	1.8	
Consultancies	1.32	33.0	2.68	67.0	4.00	0.7	0.29	33.0	0.60	67.0	0.89	0.7	
Hiring of Vehicles	0.50	33.0	1.01	67.0	1.50	0.3	0.11	33.0	0.22	67.0	0.33	0.3	
Internal and External Audit	0.98	33.0	1.98	67.0	2.96	0.5	0.22	33.0	0.44	67.0	0.66	0.5	
Others	1.32	42.9	1.76	57.1	3.08	0.5	0.29	42.9	0.39	57.1	0.68	0.5	
Sub Total	7.65	34.4	14.60	65.6	22.25	3.71	1.70	34.4	3.25	65.6	4.94	3.71	
Grand Total	540.00	90.0	60.00	10.0	600.00	100.00	120.00	90.0	13.33	10.0	133.33	100.00	

5. Out of the total grants of the project 85 percent is earmarked for Block Grants (BG) to 1343 Gram Panchayaths of 39 most backward taluks of the State. Out of the BG 80 percent shall be spent on capital works<sup>1</sup> and the balance can be spent on revenue expenditure.
6. The balance 15 percent of the project fund shall be spent on the following goods, works and services:
  1. Construction of Taluka Resource Centers
  2. Consultancy services
  3. Equipments to regional SATCOM training centers and ANSSIRD studio
  4. Office equipments, rent and furniture
7. The procurement plan of various items is given at Appendix 1. This Procurement Plan is subject to revision annually or as needed. In order to ensure that the proper procedures are followed in the procurement of the various items under Gram Swaraj Project, the following guidelines are issued.

### National Competitive Bidding (NCB) for Goods & Works:

8. The Government of Karnataka has embarked on a programme of reforms in public procurement. To this end the Government has enacted "The Karnataka Transparency in Public Procurements Act, 1999". The Act prohibits procurement other than by invitation of tenders. The Government has also issued rules and circulars under the Act. The Act provides for: -

<sup>1</sup> Capital works involves in the creation of assets



- (i) Open invitation of bids;
- (ii) Adequate time for bidding period;
- (iii) Public opening of bids;
- (iv) Evaluation to be on the basis of responsiveness to the bidding documents;
- (v) Mechanism for handling complaints.

9. The Government of Karnataka has issued standard tender documents for procurement of goods and equipments, works and for hiring consultancy services.

**10. The major difference between the accepted NCB procedures in other Indian projects and the procedures under the Karnataka Act relates to:**

- (i) Allowing two-cover system;
- (ii) Conducting negotiations; and
- (iii) DGS&D Rate contracts are acceptable as substitute of tendering.

11. Under this project, for the purpose of NCB, the procedures laid down under Karnataka Transparency in Public Procurement Act, 1999 and Rules will be followed except the above three provisions. However, the DGS&D rate contracts are permitted only in shopping procedures.

12. GPs using block grant monies, goods estimated to cost more than Rs.100,000 equivalent per contract, and works estimated to cost more than Rs.200,000 equivalent per contract, shall be procured under contracts awarded on the basis of NCB using the procedures under the Karnataka Transparency in Public Procurement Act of 1999 (as amended).

13. Standard Tender Documents for Procurement of goods and equipment shall be used as per Government Order No. FD 9 PCL 2004(II), dated 6.8.2005. The said government order and its annexure may be seen in the RDPR website: [www.kar.nic.in/rdpr](http://www.kar.nic.in/rdpr)

14. Standard Tender Documents for Procurement of works shall be used as per Government Order No. FD 9 PCL 2004(I), dated 6.8.2005. The said government order and its annexures containing K/W-1 & K/W-2 may be seen in the RDPR website: [www.kar.nic.in/rdpr](http://www.kar.nic.in/rdpr)

15. The bidding documents developed by the Government of Karnataka shall be used for NCB. For contracts above Rs. 5,000,000. The standard W-2 document of the World Bank shall be used in case there is any contract above Rs. 5,000,000. The said Document may be seen in the RDPR website: [www.kar.nic.in/rdpr](http://www.kar.nic.in/rdpr)

### **Shopping**

16. 'Shopping' is a procurement method based on comparing price quotations obtained from several suppliers (in the case of goods) or from several contractors (in the case of civil works), with a minimum of three, to assure competitive prices, and is an appropriate method for procuring readily available off-the shelf goods or standard specification commodities or simple civil works of small value. Requests for quotations shall indicate the description and quantity of the goods or specifications of works, as well as desired delivery (or completion) time and place. Quotations may be submitted by letter, facsimile or by electronic means. The evaluation of quotations shall follow the same principles as of open bidding. The terms of the accepted offer shall be mentioned in a purchase order or brief contract.

17. GPs using block grant monies, goods and work estimated to cost respectively less than Rs.100, 000 and Rs.200, 000 equivalent may be procured under contracts awarded on the basis of Shopping. Other implementing agencies will also follow the shopping procedure.

### **Direct Contracting:**

18. Direct contracting is contracting without competition (single source). Direct contracting is appropriate under the following circumstances:

- (a) An existing contract for goods or works, awarded in accordance with procedures detailed below by the World Bank, may be extended for additional goods or works of a similar nature. The Bank shall be satisfied in such cases that no advantage could be obtained by further competition and that the prices on the extended contract are reasonable. Provisions for such an extension, if considered likely in advance, shall be included in the original contract.
- (b) Standardization of equipment or spare parts, to be compatible with existing equipment, may justify additional purchases from the original Supplier. For such purchases to be justified, the original equipment shall be suitable, the number of new items shall generally be less than the existing number, the price shall be reasonable, and the advantages of another make or source of equipment shall have been considered and rejected on grounds acceptable to the Bank.
- (c) The required equipment is proprietary and obtainable only from one source.
- (d) The Contractor responsible for a process design requires the purchase of critical items from a particular Supplier as a condition of a performance guarantee.
- (e) Goods and works, which the Bank agrees meet the requirements for Direct Contracting, may be procured in accordance with the provisions of said procurement method.  
Contracts above Rs.500000 equivalent will require prior clearance from the Bank.

### **Community Driven Procurement**

19. This type of procurement is a contract between GP and self-help group or any other community-based organization. Community participation would by and large relate to works such as Water Supply, Forestry, Plantation, Sanitation, etc.

20. The Gram Swaraj project lays great emphasis on community participation in procurement, wherein the local community would also contribute a share in the project cost of works undertaken. Since the community is obliged to put in their share either in the form of cash or kind or both, the community feels a sense of ownership of the project undertaken and hence enhances the objective of the Gram Swaraj project. Secondly, the objective of such contract is to increase the participation of local expertise, local employment, local materials, and other indigenous technologies.



21. The community contribution shall be determined by the Amenity Committee of the GP. These contributions can range between 5-10% of the total project cost entrusted to SHG/CBOs. Only when 75 % of this contribution has been deposited into the GP's account, the work order should be given. The balance 25% shall be deposited within 30 days after the issue of work order or before the final payment is made which ever is earlier.

22. Under the community driven works GPs shall follow the following procurement procedure:

- a) The Secretary of the GP will call for the participation of the SHGs or CBOs whose credentials are good and respected by the community.
- b) The amenity committee of the GP shall select one SHG or CBO after making due verification of their ability to undertake the community based works. They should select the SHG or CBO after examining their performance in previous works. Unless past performance of the SHG or CBO is satisfactory, no contract should be awarded. The selected SHG/CBO shall collect the community contribution as envisaged in the community driven contracts. The format in which the information should be recorded and furnished to the committee is given below:

#### Form 1

Details of SHG/CBOs to carry out community contracting.

Name of the work:

Estimated cost of the work:

Date of administrative sanction:

Date of technical sanction:

Date of commencement of the work:

Expected date of completion of the work:

Sl. No	Name of the SHG/CBO	Date of formation of the SHG/CBO	Whether registered under any Act or rules	Details of Past experience	Performance in the past works under taken, whether satisfactory or not in each case listed in col (5)	Whether undertaking given for collection of the community contribution and the extent of contribution
1	2	3	4	5	6	7

- c) The estimate shall be prepared as per the PWD code and approved by the competent administrative and technical authorities.
- d) GPs have to enter into agreement with the self-help groups selected by the Amenities committee for execution of a work based on above estimates. The agreement with the SHG/CBOs shall contain clause to the effect that they will collect contribution as a part of the project cost by the community, which will not

be paid, out of schemes funds or GP's own fund or block grants. The community contribution collected by the SHG/CBOs shall be deposited in to the GP's account. No amounts collected from the community shall be utilized directly for works by the SHG/CBOs.

- e) Work order should be issued to selected SHG/CBO only when it deposits 75% of community contribution decided by the Amenities Committee.
- f) GPs should follow KPR (GP Budget & Accounts) Rules in the execution of work and payment of bills.
- g) The SHG/CBO should also follow these rules in the execution of work and are accountable to GP and local community.
- h) Expenditure made on all items shall not be higher than the market rate or scheduled rate (whichever is less). The Section officer shall certify that the materials charged conform to this condition. This should be observed before the payment of bills.
- i) No advance money is given to the SHG/CBOs. They shall be paid on mile stone payment. The payment shall be made by the GP within one week after the submission of bills and certificate endorsed on the bills indicating that satisfactory check measurements have been made.
- j) SHG/CBO shall pledge 1% the project cost in bank, where GP transactions are made as a security deposit which would be refunded after satisfactory completion of the work.
- k) Requirements under community contracting should be reviewing to remove impediment if any, observed during implementation after a period of one year.

### **Force Account**

23. Force account, that is, construction by the use of the Project Implementing Agencies (PIAs) own personnel and equipment, may be the only practical method for constructing some kinds of works. "Force account" is otherwise known as "direct labour," "departmental forces," or "direct work." A government-owned construction unit that is not managerially and financially autonomous shall be considered a force account unit. The use of force account may be justified where:

- (a) Quantities of work involved cannot be defined in advance;
- (b) Works are small and scattered or in remote locations for which qualified construction firms are unlikely to bid at reasonable prices;
- (c) Work is required to be carried out without disrupting ongoing operations;
- (d) Risks of unavoidable work interruption are better borne by the PIAs than by a Contractor; and
- (e) There are emergencies needing prompt attention.



## Consultancy Services and Training:

24. The consultancy services required under the project mostly relate to hiring Firms / Organisations / NGO services and individual experts, services for Monitoring and Evaluation, environmental agency. ANSSIRD will also require some consultancy services for training purpose. The procurement procedures for consultancy services required for the capacity building and other purposes would be procured in accordance with the Consultancy Guidelines mentioned in World Bank's 'Guidelines-Selection and Employment of Consultants-May 2004.' These guidelines set out the basis for selection, namely, Quality and Cost Based Selection, Quality Based Selection, Selection under Fixed Budget, Least Cost Selection, selection Based on Consultants' Qualification, Single Source Selection, Service Delivery Contractors and Individual Consultants.

25. Standard Request For Proposals (RFPs) and contract formats for hiring of consultancy services shall be used as per Government Order No. FD 9 PCL 2004(III), dated 6.8.2005. The said government order may be seen in the RDPR website: [www.kar.nic.in/rdpr](http://www.kar.nic.in/rdpr)

26. The short list of consultants for contracts upto Rs.22500000 equivalent may comprise entirely national consultants as mentioned in Paras 2.6 and 2.7 of the said Consultancy Guidelines.

## Implementation:

27. The Project Implementing Agencies have to follow the above procurement procedures with regard to goods, works and services. The formats for bidding documents, calling for tenders and quotations, etc. for procurement falling under 'NCB', 'Shopping' and 'Community Driven Procurement', shall be those as prescribed under the Public Works Department code and as per the above said Government Orders. Agency-wise and item-wise procurement procedures are abstracted below which are to adhere to:

Abstract - Implementing Agency-wise Procurement Procedure		
Project Implementing Agency	Description of Goods / Works/services	Method of Procurement (ICB/NCB/ Shopping)
GPs	<b>Block Grants</b>	NCB/Shopping/Community Contracting
	<b>Training and Capacity Building</b>	
ANSSIRD	a) Development of Monitoring Software	NCB
	b) Charts & Posters, Self Reading Materials, Wall News papers	NCB/Shopping
	c) Electronic Materials	NCB/Shopping
	d) Training Modules	In House (Shopping)
	<b>Civil Works &amp; Equipment - Taluk Resource Centres (TRCs)</b>	
TPs	a) Civil works - construction of TRCs	NCB
ANSSIRD	b) Various Equipments for Taluk Resource Centres	Shopping
	<b>Consultancies and Management - ANSSIRD</b>	
ANSSIRD	a) Hiring of Consultants	CQ/Individual
	b) Hiring of Programme Assistants	CQ/Individual

	c) Hiring of Supporting Staff (contractual)	CQ/Individual
	<b>Consultancies - TRCs</b>	
<b>RDPR</b>	Hiring of Consultants for TRCs and others	CQ/Individual
	<b>Goods and Equipments - SATCOM CENTERS</b>	
<b>ANSSIRD</b>	a) Establishing 4 Regional SATCOM Training Centres	NCB
	b) Up gradation of SATCOM facility at ANSSIRD	
	<b>Action Research &amp; Development</b>	
<b>ANSSIRD</b>	Hiring of Consultants and Others	CQ/Individual
	<b>Incremental Operating Costs (FC &amp; DCA)</b>	
<b>RDPR &amp; DAC</b>	a) Hiring Buildings for Offices	NCB/Shopping/existing G.O.K Rules and Procedure
	b) Office Furnishings & Various Equipments	NCB/Shopping
	c) Hiring of Consultants	CQ/Individual
	d) Hiring of Vehicles	NCB/Shopping

### Linkages with Taluk Resource Centres (TRC)

28. The Taluk Resource Centers are established to enhance the capacity of the GPs. TRC role among others is to help GPs in providing planning support and rendering comprehensible information on procurement process. The resource personnel placed in the TRC will assist the GPs in the procurement of works and materials. This apart, TRC will also monitor the procurement processes.

### Live document

29. All project Implementation Agencies (PIAs) should maintain record of all procurements made by them. In particular the records should contain the details of the work and services procured. It should also contain the details of the administrative and technical sanction particulars besides the details of the date of commencement and the date of completion of the work/service. A detailed format in Form 2 is prescribed in this behalf.

### Form 2

1	Name of the work/material/service;	
2	Cost of the procurement;	
3	Date of Administrative Sanctions;	
4	Date of Technical Sanctions(in case works);	
5	Date of commencement;	
6	Date of completion/expiry of procurement;	
7	TOR if any(in brief);	
8	Progress of work	

### Payment particulars



9	Date	Bill No.	Payment made (Rs.)	State of Work
	1	2	3	4

#### *Inspection Details*

10	Date	Inspected by	Remarks (brief)	Corrective measure taken	Action taken against defaulter
	1	2	3	4	5

#### *Completion report*

11	Actual date of completion/expiry as per contract	Whether there is any delay in completion	Reason for delay	Whether extension of time given	Whether work is satisfactory	Names of persons certifying the work
	1	2	3	4	5	6

#### **Disclosures**

30. Since the community driven procurements involves several stakeholders, it is but natural that they are kept informed of the procurements made by them, the cost involved, the agency to which the contract is awarded, the address of the agency etc. This would ensure transparency in the procurement. Thus various PIAs have to display the boards of all the procurements made by them at their offices in the following format.

#### **Form -3** Procurement of works/materials/Services.

Sl. No.	Type of Procure ment	Name of the work/ material service procurement	EstimatedCost	Agency to whom it is awarded	Date of commence ment	Expected date of completion/ expiry
1	2	3	4	5	6	7

31. It is also mandatory that under community procurement, like in other procurements, that the Agencies to whom work is awarded have to display Boards at worksites informing there in that name and address of the agency, the estimated cost of work, the date of commencement and the date of completion. The following is the format prescribed in this regard:

#### **Form 4**

1	Name of the Project:	<b>GRAM SWARAJ</b>
2	Name of the work;	
3	Estimated Cost:	
4	Name and address of the agency to whom is awarded the work;	
5	Date of commencement of work;	
6	Expected date of completion;	

32. Apart from the display board mention in form 4 the agency shall also display another board at the work site indicating therein daily the number of skilled and unskilled laborers working, the materials used etc., He shall also specifically mention that no child labour is engaged for the work.

### **Supervision:**

33. Considering the fact that as many as 1,343 *panchayats* would be carrying out procurement, the procurement review / audit carried out in normal investment projects would not be feasible. Hence, the issue is addressed in the following way:

- Social audit through participatory and transparent process – Jamabandi is an annual inspection of accounts and works of the GP by the designated taluka level officer in an open public meeting. This institutional arrangement for social audit ensures that there is checks/balances and transparency in the all the aspects including procurement processes. For the purpose of this project, the taluka level Jamabandi level officer shall specifically prepare report on the procurement made out of the BG grants for the project. This report shall contain the comments of the public at the time of the Jamabandi. This report of the Jamabandi is placed in the Gram Sabha along with the action taken report. A copy of this report shall also be sent to FC along with AFS.
- The Karnataka State Audit Department shall arrange to appoint Chartered Accounts to conduct sample audit. From among the sample audit the CA will also conduct procurement review.
- Fiduciary risk reviews will be carried out by IDA in consultation with Government of Karnataka in Years 1 and 2 of the Project, and later, if need be.

34. The post award reviews for contracts other than *Gram panchayats* would be carried out during supervision mission or through consultants appointed by the Bank.

### **Review by IDA of procurement decisions**

35. Contracts for works, goods and consultancies (with firms) estimated to cost Rs 10,000,000 or more per contract would be subjected to prior review. The contracts for individual consultants estimated to cost Rs. 2,500,000 or more per contract would also be subjected to prior review. Other contracts would be subject to post award review on the random selection basis. Frequency of supervision would be once every six months.



## 26. Annexure-13

Gram Swaraj - Karnataka Panchayat Strengthening Project  
PROCUREMENT PLAN

Sl.No	Description of Goods / Works	Number / Units	Estimated costs INR ( Rs. )	Method of Procurement ( ICB/NCB/ Shopping )	Year / Month of the Project ( I, II, III etc)	18 Months Requirement ( Rs.)
INVESTMENT COSTS						
1	Block Grants	1343	5,100,000,000	NCB/Shopping/Others	I to V	1,343,000,000
2	Training and Capacity Building					
	a) Development of Monitoring Software	Lumpsum	600,000	NCB	I	600,000
	b) Charts & Posters, Self Reading Materials, Wall News papers	Lumpsum	7,000,000	NCB/Shopping	I, II, III, IV & V	1,400,000
	c) Electronic Materials	Lumpsum	2,500,000	NCB/Shopping	I,II, III & IV	625,000
	d) Training Modules	Lumpsum	500,000	In House(Shopping))	I & II	500,000
	Sub Total. . .		10,600,000			3,125,000
3	Civil Works & Equipment - Taluk Resource Centers (TRCs)					
	a) Civil works (consolidated)	175	320,000,000	NCB	I, II	160,000,000
	b) Various Equipments for Taluk Resource Centres	175	65,000,000	Shopping	I, II	35,000,000
	Sub Total. . .		385,000,000			195,000,000
4	Consultancies and Management - ANSSIRD					
	a) Hiring of Consultants	Lumpsum	7,500,000	CQ/Individual	I to V	1,500,000
	b) Hiring of Programme Assistants	Lumpsum	3,000,000	CQ/Individual	I to V	600,000
	c) Hiring of Supporting Staff (contractual)	Lumpsum	4,200,000	CQ/Individual	I to V	840,000
	Sub Total. . .		14,700,000			2,940,000
5	Consultanciest - TRCs					
	Hiring of Consultants	39x3	30,000,000	CQ/Individual	I to V	10,000,000
6	Goods and Equipments - SATCOM CENTERS					
	a) Establishing 4 Regional SATCOM Training Centers	4	20,000,000	NCB	I & II	10,000,000
	b) Upgradation of SATCOM facility at ANSSIRD	Lumpsum	5,000,000		I & II	5,000,000
	Sub Total. . .		25,000,000		-	-
7	Action Research & Development					
	Hiring of Consultants and Others	Lumpsum	7,500,000	CQ/Individual	I,II,III	2,500,000
8	Incremental Operating Costs ( FC & DCA )					
	a) Hiring Buildings for Offices	Lumpsum	6,000,000	NCB/Shopping	I to V	2,000,000
	b) Office Furnishigs & Various Equipments	Lumpsum	8,000,000	NCB/Shopping	I to II	6,000,000
	c) Hiring of Consultants	Lumpsum	40,000,000	CQ/Individual	I to V	8,000,000
	d) Hiring of Vehicles	Lumpsum	15,000,000	NCB/Shopping	I to V	3,000,000
	Sub Total. . .		69,000,000			19,000,000
	GRAND TOTAL		5,641,800,000			1,590,565,000