

**GOVERNMENT OF ODISHA
FINANCE DEPARTMENT**

No.37323/F., Dated 30.11.2018

FIN-CODE-RULE-1/2018

OFFICE MEMORANDUM

Sub: Guidelines for Engagement of Consultants and Outsourcing of Services

SECTION-A : GUIDELINES FOR ENGAGEMENT OF CONSULTANTS

Finance Department have issued guidelines for engagement of Consultants and Outsourcing of Services vide FDOM No. 42280/F dated 26.9.2011 and 42284/F dated 26.9.2011 in the lines of General Financial Rules-2005 and Manual of Policies and Procedures for employment of Consultants ,2006 issued by Government of India. In the meanwhile, General Financial Rules -2017 and Manual for Procurement of Consultancy and Other Services, 2017" have been issued by Government of India. Keeping in view the changes made by the Government of India, it has been decided to lay down the revised principles regarding engagement of consultant(s) and outsourcing of Services in supersession of the earlier guidelines issued in this regard.

The "*Manual for Procurement of Consultancy & Other Services 2017*" issued by the Department of Expenditure, Ministry of Finance, Government of India is available in the website www.finmin.nic.in. This Manual may be referred to wherever the guidelines under this Office memorandum so require. However, engagement of Consultants for Externally Aided Projects funded by loan or grant from bilateral/multilateral donor agencies like IBRD, IDA, ADB, DFID, JICA etc. would be guided by the procurement procedures envisaged in the respective loan/credit agreement.

2. Identification of Work/Services required to be performed by Consultants: Engagement of consultants may be resorted to in situations requiring services for which requisite expertise and manpower is not available within the organisation.

3. Authority competent to hire Consultants: The Administrative Department and Heads of Department may hire professionals, consultancy firms or consultants (referred to as consultant hereinafter) for a specific

job, which is well defined in terms of content and time frame for its completion or outsource certain services.

4. Powers to sanction expenditure and approve engagement of consultants: Administrative Departments and Heads of Departments are hereby authorized to approve engagement of consultants and sanction expenditure on engagement of consultants in each case subject to the financial limits indicated below:

Administrative Departments : Rs.300.00 lakh

Heads of Department : Rs.100.00 lakh

The Administrative Departments and Heads of Departments may enter into contracts for consultancy assignments within the aforesaid financial limits without reference to Finance Department. However, sanction of expenditure for consultancy services shall be subject to availability of budget provision.

5. Estimating reasonable expenditure: The competent authority proposing to engage consultant(s) should estimate reasonable expenditure for the same by ascertaining the prevalent market conditions and consulting other Organizations/Departments/PSUs who have availed the consultancy services of similar nature and ensure that available budget provision is adequate for the purpose.

6. Identification of likely sources:

(i) Where the estimated cost of the work or service is up to Rupees Ten lakhs, preparation of a long list of potential consultants may be done on the basis of formal or informal enquiries from other Administrative Departments, Heads of Departments, Heads of offices or Organisations, Chambers of Commerce & Industry, Association of consultancy firms etc., who have availed the consultancy services of similar nature

(ii) Where the estimated cost of the work or service is above Rupees Ten lakhs, in addition to (i) above, an enquiry for seeking 'Expression of Interest' from consultants should be published through a brief advertisement in at least one national daily, one local daily and the details be made available in the website of competent authority. The website address should also be indicated in the advertisement. Enquiry for seeking Expression of Interest should include in brief, the broad scope of work or

service, input/support/materials/data to be provided by them, eligibility and the pre-qualification criteria to be met by the consultant(s) and consultant's past experience in similar work or service. Adequate time should be allowed for getting responses from interested consultants.

7. Shortlisting of consultants: On the basis of responses received from the interested parties as per the above paragraph, consultants meeting the requirements should be shortlisted for further consideration. The number of shortlisted consultants should not be less than three.

8. Preparation of Terms of Reference (ToR): The ToR should include

- (i) Precise statement of objectives of the consultancy assignment;
- (ii) Outline of the tasks to be carried out;
- (iii) Schedule for completion of tasks;
- (iv) The support or input/materials/data to be provided by the competent authority to facilitate the consultancy.
- (v) The final output in quantifiable/ comprehensible terms that will be required of the Consultant;

9. Preparation and Issue of Request for Proposal (RFP) : RFP is the document to be used by the competent authority for obtaining offers from the consultants for the required work/service. The RFP should be issued to the shortlisted consultants to seek their technical and financial proposals. The RFP should contain:

- (i) A letter of Invitation
- (ii) Information to Consultants regarding the procedure for submission of proposal.
- (iii) Terms of Reference (ToR).
- (iv) Eligibility and pre-qualification criteria in case the same has not been ascertained through publication of 'Expression of Interest'.
- (v) List of key positions/resource persons whose CV and experience would be evaluated.
- (vi) Bid evaluation criteria and selection procedure.
- (vii) Standard formats for technical and financial proposal.
- (viii) Proposed contract terms.
- (ix) Procedure proposed to be followed for mid-term review of the progress of the work and review of the final draft report.

A Standard Request for Proposals developed by the Ministry of Finance, Government of India has been customised for adoption and the same is available in Annexure-A (in soft copy) in Odisha Government website at www.finance.odisha.gov.in/OGFR.asp.

10. Receipt and opening of proposals: Proposals should ordinarily be asked for from consultants in 'Two-bid' system with technical and financial bids sealed separately. The bidder should put these two sealed envelopes in a bigger envelop duly sealed and submit the same to the competent authority by the specified date and time at the specified place. On receipt, the technical proposals should be opened first by the competent authority at the specified date, time and place.

11. System of Selection of Consultants: Selection of consultants is normally done in a two stage process. In the first stage, likely capable sources are shortlisted. The shortlist should include a sufficient number, not fewer than three (3) and not more than eight (8) eligible firms. In the second stage, the shortlisted consultants are invited to submit their technical and financial (RFP) proposals generally in separate sealed envelopes. Evaluation of the technical proposals is carried out by evaluators without access to the financial part of the proposal. Financial proposals are opened after evaluation of quality.

The nomenclature and a brief description of the various selection methods is below:

i) Price Based Selection - Least Cost Selection

In this method of selection, consultants submit both a technical proposal and a financial proposal at the same time. Minimum qualifying marks for quality of the technical proposal are prescribed as benchmark (normally (75 out of max 100) as indicated in the RFP along with a scheme for allotting marks for various technical criteria/attributes. A simplified evaluation criteria may also be used where instead of a marking scheme a minimum fail/pass benchmark of technical evaluation may be prescribed. Any bidder possessing these benchmarks is technically qualified for opening their financial bids. L1 offer out of the responsive offers is selected on price criterion alone without giving any additional weightage to marks/ranking of technical proposal. This method of selection shall be used as default since it allows for minimum satisfactory technical efficiency with economy.

ii) Quality and Cost Based Selection (QCBS)

In QCBS selection, minimum qualifying marks (normally 70-80 out of maximum 100 marks) as a benchmark for quality of the technical proposal

will be prescribed and indicated in the RFP along with a scheme for allotting marks for various technical criteria/attributes. During evaluation, quality score is assigned out of the maximum 100 marks to each of the responsive bids as per the scheme laid down in the RFP. Financial proposal are then opened for only eligible and responsive offers and are also given a cost-score based on relative ranking of prices, with 100 for the lowest and pro-rated lower marks for higher priced offers. The total score shall be obtained by weighing the quality and cost scores and adding them. This method of selection shall be used for highly technically complex and critical assignments where it is justifiable to pay appropriately higher price for higher quality of proposal (Please refer **Chapter-6 (para 6.9.2-QCBS selection)** in "Manual for Procurement of Consultancy & Other Services 2017" issued by Ministry of Finance, Government of India).

iii) Direct Selection: Single Source Selection (SSS)

Under some special circumstances, it may become necessary to select a particular consultant where adequate justification is available for such single-source selection in the context of the overall interest of the Department. Full justification for single source selection should be recorded in the file and approval of next higher authority be obtained before resorting to such single-source selection. The selection by SSS/nomination is permissible under exceptional circumstances such as:

- Tasks that represent a natural continuation of previous work carried out by the firm
- In case of emergency situation, situations arriving after natural disasters, situations where timely completion of the assignment is of utmost importance
- Situations where execution of the assignment may involve use of proprietary techniques or only one consultant has requisite experience
- At times, other PSUs or Government organizations are used to provide technical expertise. It is possible to use the expertise of such institutions on a SSS basis.

12. Evaluation of Technical & Commercial Bids: Technical & Commercial bids are to be analysed and evaluated by the committee constituted under Rule 12 (3) of the Delegation of Financial Power Rules to identify the bids, which are technically & commercially qualified. However, suitable domain experts may be included in the Committee to render assistance in evaluation of the bids. This committee shall record in detail the reasons for acceptance or rejection of the bids analysed and evaluated by it.

13. Evaluation of Financial Bids of the technically qualified bidders: The competent authority shall open the financial bids of only those bidders who have been declared technically qualified by the Committee as per the provisions of the foregoing paragraph for further analysis or evaluation and ranking and selecting the successful bidder for placement of the consultancy contract. The task of evaluation and ranking may be carried out by the Committee referred to in paragraph 11 above.

14. Negotiations and Award of Contract: Negotiations are not an essential part of the selection process. In many cases, however, it is felt necessary to conduct negotiations with the selected consultant. Negotiations shall include discussions of the ToR, the methodology, staffing, Government/Department's inputs, and special conditions of the contract. These discussions shall not substantially alter the original ToR or the terms of the contract, lest the quality of the final product, its cost, and the relevance of the initial evaluation be affected. The final ToR and the agreed methodology shall be incorporated in "Description of Services," which shall form part of the contract.

Financial negotiations shall only be carried out if due to negotiations as mentioned above, there is any change in scope of work which has any financial bearing on the final prices or if the costs/cost elements quoted are not found to be reasonable. In such negotiations, the selected firm may also be asked to justify and demonstrate that the prices proposed in the contract are not out of line with the rates being charged by the consultant for other similar assignments. However, in no case such financial negotiation should result in increase in the financial cost as originally quoted by the consultant and on which basis the consultant has been called for the negotiations.

In case of Least cost selection method, if the negotiation with L1 bidder fails, then the Procuring Entity may invite the L2 bidder to execute the project at prices of L1. If the negotiation with the L2 bidder fails, the Procuring Entity shall cancel the bidding procedure and re-invite the bids.

15. Late Bids: Late bids i.e. bids received after the specified date and time of receipt should not be considered.

16 Monitoring the Contract: The competent authority employing the Consultant should be involved throughout in the conduct of consultancy

continuously monitoring the performance of the consultant(s) so that the output of the consultancy is in line with their objectives.

These instructions shall be deemed to be a part of Odisha General Financial Rules & Delegation of Financial Power Rules.

The aforesaid instruction will not be applicable for selection of retired Government Servants for their reengagement as Consultants on contractual basis for government assignments. The re-employment of retired Government Servants will be dealt in terms of provisions of executive instructions of the Government issued from General Administration and Public Grievance Department from time to time.

SECTION-B : GUIDELINES FOR OUTSOURCING OF OTHER (NON-CONSULTANCY) SERVICES

In order to reduce operating cost and provide more effective delivery of public services a number of auxiliary and support services are now being outsourced by the State Government and its various agencies. Pending revision of Odisha General Financial Rules in the lines of General Financial Rules-2017 issued by Government of India, there is a need to revise the basic policy framework for outsourcing of other services.

Outsourcing of Other Services :

- i)** Other services (Non-Consultancy Services) are defined as Services that cannot be classified as Consultancy Services. It may include routine jobs of Small Offices like cleaning and sweeping of the premises, watch & ward, horticultural work, housekeeping services, Security services, Catering for Hostels and Guest Houses, Cook-cum-Housekeeping for Small Guest Houses etc. which requires deployment of outside agencies on a sustained long term (for one year or more), which were being traditionally done by the in-house employees.
- ii)** The Offices with larger built up area may adopt Comprehensive Facility Management Services focusing upon the efficient and effective delivery of all services i.e. Housekeeping and Sanitation service, Security Services, Operation and Maintenance of all Equipment, Horticulture and Plantation, Front Desk Management, Waste Management, Parking Management, Reporting and Complaint Management etc. under one contract. Administrative Departments/Heads of Departments and other Government Offices having minimum built up area of

40,000 sq. ft or more may opt for Comprehensive Facility Management Services to bring economy and efficiency in provision of services.

- iii) **Authority competent to outsource services:** The competent authority i.e. Administrative Departments and Heads of Departments may allow outsourcing of certain services in the interest of economy and efficiency.
- iv) **Conditions precedent to outsourcing:** Outsourcing of services may be resorted to if adequate man-power is not available in the Organization for providing the required services.
- v) **Identification of the service to be outsourced:** The identification of the service to be outsourced is to be finalized by the Administrative Department and Head of Department in respect of its own Office or any attached or subordinate Office(s).
- vi) **Cost Estimate and Budget Provision:** The competent authority proposing to outsource a particular service should estimate the reasonable expenditure for the same by ascertaining the prevalent market conditions and consulting other Organizations / Departments/ PSUs who have outsourced similar services and ensure that available budget provision is adequate for the purpose and then proceed to outsource the service.

2. Powers to sanction expenditure and approve outsourcing of services: Administrative Departments and Heads of Departments are hereby authorized to approve outsourcing of services and sanction expenditure on outsourcing of services in each case subject to the financial limits indicated below:

Administrative Departments	:	Full powers
Heads of Department	:	Rs.25.00 lakh

The Administrative Departments and Heads of Departments may enter into contracts for outsourcing of services within the aforesaid financial limits without reference to Finance Department. However, sanction of expenditure shall be subject to availability of budget provision.

3. Identification of Potential contractors : The authority proposing to outsource a particular service should prepare a list of likely and potential contractors on the basis of formal or informal enquiries from other Administrative Departments, Heads of Departments, Heads of offices and Organisations involved in similar activities, scrutiny of 'Yellow pages', and trade journals, if available, web site etc.

4. Preparation of Tender enquiry : The authority proposing to outsource a particular service should prepare a tender enquiry containing, inter alia:

- (i) The details of the work or service to be performed by the contractor;
- (ii) The facilities and the input/materials which will be provided to the contractor by the competent authority;
- (iii) Eligibility and qualification criteria to be met by the contractor for performing the required work / service; and
- (iv) The statutory and contractual obligations to be complied with by the contractor.

5. Invitation of Bids : The Model Bidding Document for use by the Administrative Departments/Heads of Departments/Other Government Offices for i) Outsourcing of other services for Small Offices and ii) Comprehensive Facility Management Services for Offices having larger built up areas having minimum built up area of 40,000 sq. ft or more consisting of a complete framework which include instruction to Bidders, General conditions of contract, Technical specification for model scope of work (an indicative list of scopes), evaluation of the proposals are enclosed. The Authority may include other scopes of work as per their requirement, while inviting the bids. The soft copies of Model Bidding Documents for Comprehensive Facility Management Services and Outsourcing of other Services (Annexure-B&C) are available in Odisha Government website at www.finance.odisha.gov.in/OGFR.asp.

Procedure for Procurements below Rs.10 (Rupees Ten) lakh

(a) For procurements below Rs.10 (Rupees Ten) lakh, the user should prepare a list of likely and potential service providers as identified as per the provisions of Paragraph-3 above, shortlist the prima facie eligible and capable contractors and issue RfP as per Model Bidding Document to these shortlisted firms on a limited tender enquiry basis as per the standard practice. The number of the contractors so identified for issuing RfP should be more than three.

Procedure for Higher Value of Procurements

(b) For Procurements above Rs.10 (Rupees Ten) lakh, the Procuring Entity should issue advertised single stage tender enquiry asking for the offers by a specified date and time etc. Advertisement in such case should be published in at least two largely circulated Newspapers (One, English Daily and one Oriya Daily). An organisation having its own website should also publish all its advertised tender enquiries on the website.

6. Late Bids: Late bids i.e. bids received after the specified date and time of receipt should not be considered.

7. Evaluation of Bids:

i) Technical evaluation of the bids in case of **Outsourcing of services of routine jobs of Small Offices** as provided in Para-1(i) will be done to determine whether the bids complied to the prescribed eligibility condition and the requisite documents / information have been properly furnished by the bidder or not. Bids qualified the technical evaluation stage will be considered for opening of the financial bids. The financial bids shall be evaluated on the basis of **Least Cost Selection Method.**

ii) The Technical proposal of the bidders, in case of **Comprehensive Facility Management Services**, will be evaluated as per the prescribed technical score and the bidders who score 70% and above will be considered for financial evaluation. Any bidder possessing 70% marks and above is technically qualified for opening of their financial bids. L1 offer among the technically qualified offers is selected on price criterion alone. The Committee constituted under Rule 12(3) of the Delegation of Financial Power Rules will evaluate the responsive bids and select the successful bidder for placement of the contract. The tender inviting authority will award the contract to the bidder whose bid has been determined as the **lowest and competitive evaluated bid price.**

8. Outsourcing by Choice: Should it become necessary, in an exceptional situation to outsource a job to a specifically chosen contractor, the Competent Authority may do so in consultation with the Financial Adviser. In such cases the detailed justification, the circumstances leading to the outsourcing by choice and the special interest or purpose it shall serve shall form an integral part of the proposal.

9. Negotiations and Award of Contract:

9.1 Negotiations are not an essential part of the selection process. In many cases, however, it is felt necessary to conduct negotiations with the selected service provider. Negotiations shall include discussion on staffing, Department's input and special conditions of the contract. This discussion shall not substantially alter the original terms of the contract, lest the quality of service, its cost, and the relevance of the initial evaluation be affected.

9.2 Financial negotiations shall only be carried out if due to negotiations as mentioned above, there is any change in scope of work which has any financial bearing on the final prices or of the costs/cost elements quoted are not found to be reasonable. In such negotiations, the selected firm may also be asked to justify and demonstrate that the prices proposed in the contract are not out of line with the rates being charged for other similar assignments. However, in no case such financial negotiation should result in increase in the financial cost as originally quoted and on which basis the service provider has been called for the negotiations.

In case of Least cost selection method, if the negotiation with L1 bidder fails, then the Procuring Entity may invite the L2 bidder to execute the project at prices of L1. If the negotiation with the L2 bidder fails, the Procuring Entity shall cancel the bidding procedure and re-invite the bids.

10. Monitoring the Contract: The competent authority should be involved throughout in the conduct of the contract and continuously monitor the performance of the contractor.

These instructions shall be deemed to be a part of Odisha General Financial Rules & Delegation of Financial Power Rules.

Sd/-
Additional Chief Secretary to Government