

GOVERNMENT OF KARNATAKA

No. PWD 1359 SO/FC 2001(P-2)

Karnataka Government Secretariat
Vidhana Soudha,
Bangalore, Dated :3rd December 2002

C I R C U L A R

Subject: Verification of Qualification Criteria¹ and Available Tender Capacity² before award of contracts

1. A study of some pre-qualification /Two-cover system documents and tender documents in respect of projects not funded by International Financing Agencies have revealed the following:
 - In the absence of a standard pre-qualification document and model qualification criteria, the procurement entities are framing PQ documents with wide variation in the specified criteria;
 - There are no criteria to check the financial resources required;
 - There is no provision in the PQ document or tender document to check whether a tenderer who is pre-qualified/qualified for more than one work/supply tender satisfies the aggregate of the qualifying requirements (value of work completed, turn over, equipment, personnel, financial status)
 - There is no provision for the check of 'Tender Capacity' of the tenderer by taking into account the maximum value of the works/supplies completed in a year, the value of the balance commitment of works/supplies, licensed manufacturing capacity. Though the tenderer might satisfy the specified criteria for a particular work/supply, he might have other work/supply commitments, which may render him incapable of satisfactorily completing the works/supplies on stipulated schedule;

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¹ Minimum Qualification Criteria (turnover, value of work completed, equipment, personnel and financial resources) to be satisfied for award of a contract and aggregate Qualification Criteria to be satisfied if the tenderer is lowest in more than one contract

² Available Tender Capacity of the tenderer is computed taking into account the maximum value of works executed/supplies made in a year, possible value of works that could be executed/ licensed manufacturing capacity for supplies, value of the existing works/supply commitments etc.

- In respect of works or supplies of value less than Rs.50 lakhs for which neither pre-qualification nor two-cover system are being adopted, contract awards are determined on the basis of Registration only. Except in the case of tenders of projects funded by International Financing Agencies, post-qualification criteria is not specified. The tenderer might be awarded a number of contracts based on the requirements of registration in a particular Class and he may not be capable to execute them satisfactorily within stipulated time schedule, because of lack of resources and capability.

2. In view of the foregoing, the following instructions are issued:

- (i) The qualification criteria to check the requisite resources required for the satisfactory performance of the contract should be appropriately incorporated in the pre-qualification and tender documents for works and goods³
- (ii) The pre-qualification documents and the tender documents following Two-cover system should have stipulations to check the aggregate of the qualifying criteria of the individual contracts⁴, when the tenderer is lowest for more than one contract and also check the Available Tender Capacity⁵ of the lowest evaluated responsive tenderer who

³ See Attachment I

4. The model clause that should be incorporated in the tender document could be as follows: "To qualify for a package of contracts made up of this and other contracts for which tenders are invited in this ITT (invitation for tenders), the tenderer must demonstrate having experience and resources sufficient to meet the aggregate of the qualifying criteria for the individual contracts."

5. The model clause that should be incorporated in the tender document of works could be as follows:

"Tenderers who meet the minimum qualification criteria will be qualified only if their available Tender capacity is more than the total tender value. The available tender capacity will be calculated as under:

$$\text{Assessed Available Tender Capacity} = (A * N * 1.5 - B)$$

Where

A= Maximum value of civil engineering works executed in any one year during the last five years (updated to* price level) taking into account the completed as well as works in progress;
N= Number of years prescribed for completion of the works for which tenders are invited
B= Value at* price level, of existing commitments and on-going works to be completed during the next ... years (period of completion of the works for which the tenders are invited)"

For Goods:

satisfies the aggregate qualifying criteria. The tenderer would be prequalified/awarded the contract only if he satisfies the aggregate qualification criteria and has the available tender capacity more than the value of the tender under consideration;

- (iii) The tender documents for works/supply estimated to cost more than Rs.20 lakhs, but below Rs.50 lakhs should have post-qualification criteria, which have to be satisfied by the lowest evaluated responsive tenderer both for the aggregate qualification criteria as well as Available Tender Capacity before taking decision on the award of the contract;
- (iv)** It is not necessary to separate incorporate qualification criteria in tender documents for works/supply whose estimated cost is less than Rs.20 lakhs. Registration in appropriate class should be sufficient.

3.1 The above instructions shall apply to all Procurement Entities as defined in Section 2 (d) Chapter I of the KTPP Act.

3.2 Authorities should ensure that these instructions are followed strictly in respect of all projects irrespective of the funding Agency.

- 4. Procurement Entities shall ensure that the above Guidelines are followed strictly. It may be noted that any violation of the KTPP Act 1999 and Rules 2000 attracts the penal provision under Section 23 of the Act.

Attachment: Attachment I

(Approved by Principal Secretary
Finance Department)

Sd/-
(M.N. SESHAPPA)
Special Officer & Ex-Officio
Deputy Secretary to Govt,
PWD (Finance Cell)

“ Tenderers who meet the minimum qualification criteria will be qualified only if their available Tender capacity is more than the total tender value. The available tender capacity will be calculated as under:

Assessed Available Tender Capacity = (A*N -B)

Where

A= Licensed capacity for the item of supply ;

N= Number of years prescribed for completion of the supplies for which tenders are invited

B= Number of existing commitments to be supplied during the next ... years (period of completion of the supplies for which the tenders are invited)”

To:

The Chief Secretary to Government

Additional Chief Secretary to Government

Additional Chief Secretary and Development Commissioner

All Principal Secretaries and Secretaries to Government

Secretary Karnataka Legislature/Council/Assembly

Registrar, Karnataka High Court, Bangalore

Registrar, Karnataka Lok Ayukta, Bangalore

Secretary, Karnataka Public Service Commission, Bangalore

Additional Secretary, Parliamentary Affairs, & Legislation Department

All Internal Financial Advisers

All Heads of Departments/CEOs of ZPs

All Boards/Corporations/Autonomous Bodies

All Deputy Secretaries, Under secretaries to Government, Finance Department.

MODEL QUALIFICATION CRITERIA FOR WORKS AND GOODS

The model Clause for **Works contract** shall be as follows:

“To qualify for award of the contract, each tenderer in its name should have in the last five years i.e.

.....:

- (i) Achieved, in at least two financial years, a minimum annual financial turnover (in all classes of civil engineering construction works only) of Rs. @(*usually not less than two times the estimated annual payments under the contract*);
- (ii) Satisfactorily completed (not less than 90% of contract value), as a prime contractor, at least **one similar work** (*Define*) of value not less than Rs. @(*usually not less than 50% of the estimated value of the contract*);
- (iii) Executed in any one year, the following minimum quantities of work: (*usually 80% of the expected peak rate of construction for 3 or 4 critical items which account for more than 60% of the total cost of the work*);

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.....

The tenderer or his identified sub-contractor should have executed works** totaling to Rs. @in any one year

@ at ----- price level. Financial turnover and cost of completed works of previous years shall be given weightage of 10% per year based on the rupee value to bring them to * price level

* the financial year in which tenders are received.

** repeat for other items of works for which subcontracting would be allowed

The tenderer should demonstrate:

- (a) availability(either owned or leased or by procurement against mobilization advances) of the following key and critical equipment for this work:
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.....
- (b) availability for this work of a Project manager with no less than five years' experience in construction of similar civil engineering works and other key personnel with adequate experience as required; and
- (c) liquid assets and /or availability of credit facilities of no less than Rs.---- lakhs(Credit lines/letter of credit/certificated from Banks for meeting the funds requirements etc. (*usually the equivalent of the estimated cash flow for 3 months in peak construction period*))

The model Clause for **Goods contract** could be as follows:

- (a) The tenderer should be a manufacturer who must have manufactured, tested and supplied the equipment similar to the type, size and complexity as specified in the Schedule of requirements up to at least % (*Indicate the percentage as considered as appropriate – usually not less than 80% of the requirement*) of the quantity required in any one of the last three years;
- (b) The equipment offered for supply must be the most recent series models incorporating the latest improvements in design and must have been in satisfactory operation for a period not less than Months as on the date of tender opening;
- (c) tenders of tenderers quoting as authorized representative/agent of a manufacturer meeting with the above requirements in full, can also be considered provided;

- (i) the manufacturer furnishes authorization in the prescribed format assuring full guarantee and warranty obligations as per GCC and SCC; and
- (ii) the tenderer, as authorized representative, has supplied, installed and commissioned satisfactorily at least ... % (*indicate the percentage as considered appropriate usually not less than 30% of the requirement*) of the quantity similar to the type, size and complexity specified in the Schedule of requirements in any one of the last three years and which must be in satisfactory operation for at least Months on the date of tender opening.