

**CONTROLLER GENERAL OF DEFENCE ACCOUNTS,
ULAAN BATAAR ROAD, PALAM, DELHI CANTT – 110010.
(IFA wing)**

Ph No. 011 – 25665569 - 572, FAX No. 011- 25674779.

IFA Instruction No. 05 of 2012.

No. IFA/227

Dated :- 25--07—2012.

To

All Pr. IFAs/IFAs

Sub :- Procurement of Medical items/Stores – regarding procedure to be followed.

Ref :- In Continuation of HQrs office (IFA wing) Instruction No. 04 of 2012 dt. 23.05.2012.

The office of DGAFMS, New Delhi has issued guideliens for procurement of drugs and consumables under price agreements by Hospitals/Unit vide their letter No. 19189/DGAFMS/DG-2C/Policy dt. 23.05.2012 (copy enclosed). Furhter, DGAFMS vide their letter NO. 19189/DGAFMS/DG-2C/Policy dt 21.06.2012 (copy enclosed) has mentioned that present system of issuing RFP every two months for procurement of medicines is inefficient and loads avoidable lead time to the procurement system. Price Agreemnts/local rate contracts may be used to establish a system for maintaining essential stores on a long term basis rather than piecemeal purchase. This simplifies the procurement procedure and enables the CFAs to have an efficient and effective system for supply of essential items of regular consumption.

2. It is, therefore, advised to ensure that instructions issued by DGAFMS vide their letter dt 23.05.2012 & 21.06.2012 are scrupulously followed for processing the proposal for procurement of medical stores/items.

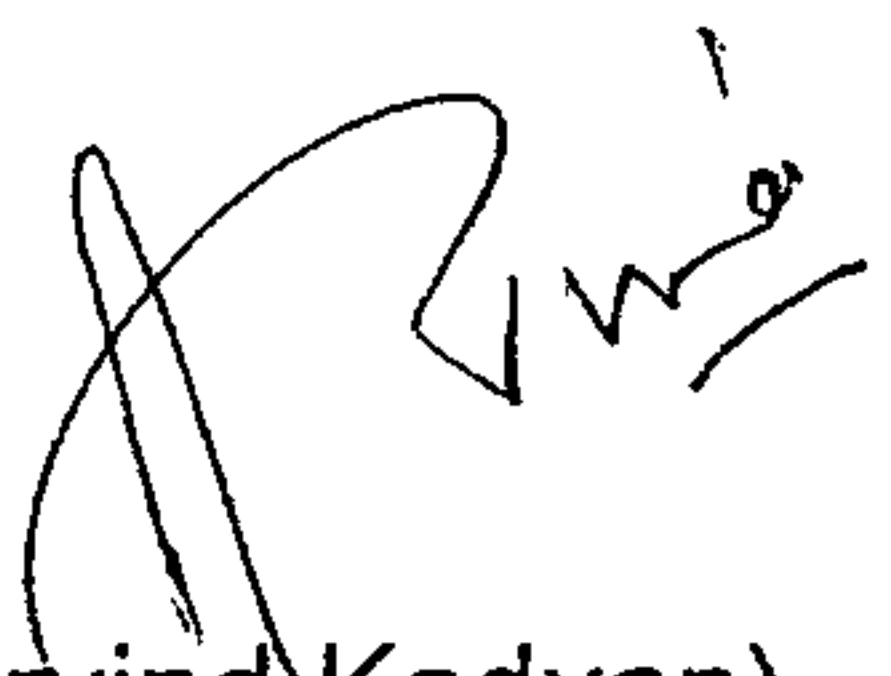
— Sd/ —
(Arvind Kadyan)
Jt.CGDA (IFA)

Copy to :-

1. JS & Addl FA (S), MoD(Fin) - For information.
2. JS & Addl FA(V), MoD(Fin) - For information.
3. JS & Addl FA (R), MoD (Fin) - For information.
4. ADGFP, AHQ.
5. ACNS (P & P), NHQ.
6. ACAS (Fin P), Air HQrs.
7. DGAFMS, New Delhi.

For information w.r.t your office letters
dt 23.05.2012 & 21.06.2012 mentioned
above.

8. DDG, Coast Guard HQrs.
9. CC R&D, DRDO HQrs.
10. Border Roads Hqrs.
11. All Jt. CGsDA (Local).
12. All RTCs.
- ✓ 13. EDPS(Local) - for publishing on website.


(Arvind Kadyan)
Jt.CGDA (IFA)

TO BE HANDED OVER ON RELIEF

Tele : 23093481

Raksha Mantralaya
Karyalaya Maha Nideshak
Sashastra Sena Chikitsa Sewa
'M' Block, New Delhi-110001

19189/DGAFMS/DG-2C/Policy

23 May 2012

DGMS (Army)
DGMS (Navy)
DGMS (Air)
DGDS

GUIDELINES FOR PROCUREMENT OF DRUGS & CONSUMABLES
UNDER PRICE AGREEMENTS BY HOSPITALS / UNIT

References

- A. GOI, MOD letter No 14 (8)/06/D (Med) dated 07 Jul 2006 on "Procurement of Medical Stores by DGAFMS."
- B. Defence Procurement Manual (DPM)-2009
- C. Supplement 2010 to DPM-2009
- D. GOI, MOD letter No A/89591/FP-1/1974/2006D (GS-I) dated 26 Jul 2006 on "Delegation of Financial Powers to Army Authorities for Revenue & Capital Expenditure"

1. Preamble

- 1.1. It has been the foremost effort of this HQ to ensure that the best modalities of medical care are made available to its clientele. With a view to enable speedier decision-making in procurement of essential life-saving medicines higher financial powers have been delegated to COs / Comdts of hospitals / medical establishments. The last revision of delegation of financial powers was done in 2006 vide GOI, MOD letter No A/89591/FP-1/1974/2006D (GS-I) dated 26 Jul 2006 on "Delegation of Financial Powers to Army Authorities for Revenue & Capital Expenditure".

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2. Introduction

2.1. Price Agreement (PA) is a new concept being introduced for the first time in the AFMS. Unlike a Rate Contract, which can be concluded only by the central procurement agencies, a Price Agreement is an instrument through which procurements may be effected, on as required basis, by the authority (CFA) without the need for calling for quotations each time.

2.2. A Price Agreement enables purchasers to procure essential items, which are required on recurring basis, promptly and with economy of scale and also cuts down the order processing and inventory carrying cost. The system takes care of supply chain management and enables an efficient transaction both for the purchaser and the supplier.

2.3. While procuring drugs/ consumables, it may be expedient for purchasers to enter into a Price agreement with the supplier. Such Price Agreement would be normally valid for a period of one year. Under the Price Agreement system the purchaser can place supply orders for any of the specified goods at the price specified in the agreement during the validating of the Price Agreement.

3. Definition

3.1. Price Agreement (PA): Broadly defined, a Price Agreement is a contract between the purchaser and the supplier for supply of specified goods (and allied services if any) at specified price and terms & conditions (as incorporated in the agreement) during the period covered by the agreement. The bid price is in the form of a specified discount on MRP / list price offered on the specified range of products / services being provided by the supplier. The agreed price is calculated after deducting the discount from the MRP.

3.2. No quantity is mentioned nor is any minimum drawl guaranteed in the Price Agreement. The contract is in the nature of a standing offer from the supplier firm. The firm and/or the purchaser is/are entitled to withdraw/cancel the agreement by serving an appropriate notice on each other, of not less than thirty days. However, once a supply order is placed for supply of a definite quantity during the validity period of the Price Agreement, the same becomes a valid and binding contract and the supplier is bound to supply the ordered quantity on the agreed price and terms.

3.3. Purchaser: Any hospital / unit whose Commandant /Commanding Officer has delegated procurement powers can enter into a Price Agreement with suppliers for supply of essential drugs and consumables on bulk or retail purchase basis for the

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hospital / unit he is commanding. The Price Agreement may also be utilized to meet all requirements of an emergent nature to meet various contingencies on as required basis.

3.4. Supplier: supplier is the entity which enters into a contract to supply goods or services. The terms includes employees, agents, assigns, successors, authorized dealers, stockists and distributors of such an entity. ~~The term 'vendor' may also be used to denote such entity. (Ref Para 1.4.21, DPM 2009)~~

3.5. Competent Financial Authority: Value of anticipated drawl over a period of one year is taken into account while determining the level of CFA for conclusion of Price Agreement. (Ref Para 3.4.1, DPM 2009).

3.6. Delegated financial powers of CFA for procurement of medicines are laid down in GOI, MOD letter No A/89591/FP-1/1974/2006D (GS-I) dated 26 Jul 2006. All Price Agreements will be concluded in consultation with IFA/CDA/PCDA concerned.

4. Selection of items for conclusion of Price Agreement

4.1. Any PVMS/NIV drugs/consumables which are required on recurring basis may be selected for procurement under Price Agreement. Types of items which can be considered for concluding Price Agreement are -

- a) Items required on recurring basis and having clear specifications.
- b) Fast moving items with short shelf life or storage constraints.
- c) Items with low price fluctuation during the currency of the contract.

4.2. The different categories of drugs and medical consumables have different pricing and marketing strategies. Since the Price Agreement is concluded on the basis of maximum discount offered on MRP, which would be different for various categories of items, it will not be possible to conclude a Price Agreement on a standardized template covering the entire range of goods / services required by the hospital. Hence, users, according to their requirements, may ask for quotes for different categories of products.

4.3. Some categories of items for which Price Agreements may be concluded separately are suggested below-

- a) General Medicines – generic
- b) General medicines - others
- c) Oncology drugs
- d) Surgical items (e.g. sutures, etc)
- e) Lab items (reagents & kits)

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- f) X-Ray Films & Products
 - g) Cardiac stents, pacemakers, etc.
 - h) Ortho Implants
 - i) Medical Gases
 - j) IOL & Ophthalmic Products
 - k) Textile goods and disposables
 - l) Rubber goods (catheters, gloves, etc)
 - m) Transfusion Fluids, blood products
 - n) Dental materials and implants
 - o) Miscellaneous

Note:

(i) The above list is only for illustration. Hospitals may categorize products as per their local requirements.

(ii) In remote areas / small stations, where the drugs and consumables may be available only from limited number of vendors / suppliers, a composite annual Price Agreement may be concluded

5. Estimated Requirement

5.1. MMF of various items would be determined by a BOO duly constituted by the CFA. The BOO should have appropriate representation of the different specialities and departments of the hospital.

5.2. Hospitals / units must calculate the approximate quantity to be procured judiciously so that there is no overstocking. The actual requirement of an item will be worked out at the time of placing the Supply Orders and the real-time stock-holding will be taken into account to avoid over-stocking

5. Period of Price Agreement

6.1. Because of the dynamic nature of pricing of drugs Price Agreement for drugs and consumables should normally be concluded only for one year. Any extension of the existing Price Agreement beyond one year, to meet any exigencies, may be approved only with approval of next higher CFA.

6.2. The prices will be valid for the entire duration of the Price Agreement. Supply orders may be placed on the vendors through the validity of the Price Agreement.

7. Vendor Data Base

7.1. A vendor database of suppliers will be maintained by the hospital / unit to facilitate processing of the cases. Such database will be updated on a yearly basis through advertisement by a BOO duly appointed for this purpose by the CFA. The process should be completed by 31 Oct of the year. The reputation, capacity and credibility of the suppliers must be ascertained by the BOO.

7.2. A rep from Station HQs must be a part of the BOO. IFA / rep of IFA may also be included in the BOO.

7.3. All vendors will undertake to supply goods only from the original manufacturers or their authorized vendors. The vendors must undertake to supply drugs and consumables manufactured only by the manufacturers meeting the eligibility criteria laid down vide GOI, MOD letter No 14 (8)/06/D (Med) dated 07 Jul 2005 on "Procurement of Medical Stores by DGAFMS.

8. Procedure for entering into a Price Agreement

8.1. The procedures laid down in DPM 2009 should be strictly adhered to in the tendering process.

8.2. BOO for concluding Price Agreement: A BOO with appropriate authority will be appointed by the CFA by 01 Nov every year to conclude Price Agreement for drugs and consumables for the hospital / unit. The BOO should include IFA / rep of IFA and a rep of Station HQs, as members. The recommendations of the BOO should be processed on file for the approval of the CFA with the concurrence of the IFA.

8.3. The BOO so appointed shall submit its completed proceedings for approval by 31 Jan so that the Price Agreement, after due approval, can be implemented by the beginning of the next FY i.e. by 01 April.

8.4. The BOO will invite bids on Limited tender Enquiries (LTE) basis from the registered vendors for supply of various items / groups of items. Separate bids may be invited for each category of items as illustrated at para 5.1 above. Sufficient time, normally ranging from one to three weeks, should be allowed for submission of bids.

8.5. Bid Security: To safeguard against a bidder's withdrawing or altering his bid during the bid validity period in the case of LTE, Bid Security (also known as Earnest Money Deposit) is to be obtained from the bidders. The Bid Security is to be submitted by the bidder along with the bid in the form of Account Payee Demand Draft, Fixed Deposit Receipt, Banker's Cheque or Bank Guarantee safeguarding the purchaser's interest in all respects. The bid security is normally to remain valid for a period of

forty-five days beyond the final bid validity period/till the conclusion of the Price Agreement.

- 8.6. Bid securities of the unsuccessful bidders shall be returned to them at the earliest after the award of the contract. The Bid Security of the successful bidders shall be returned, without any interest whatsoever, after the receipt of Performance Bank Guarantee from them as called for in the contract.
- 8.7. As the anticipated drawl of the items is not fixed, it is not possible to lay down an appropriate value for the bid security. Hence, the exact amount of the bid security for each category of items will be determined in consultation with IFA. The bid security/earnest money will be liable to be forfeited if the bidder withdraws or amends, impairs or derogates from the tender in any respect within the validity period of his tender. No separate order is required for forfeiture of Bid Security which follows on default and should be credited at once to the Government.
- 8.8. Preparation of Comparative Statement: The CST should be prepared by the BOO soon after opening of the commercial bids. The CST will be vetted by the IFA for its correctness.
- 8.9. Determination of L-1: In a Price Agreement the bid price is in the form of a specified discount on MRP / list price offered on the specified range of products being provided by the supplier. The agreed price is calculated after deducting the discount from the MRP. L-1 will be determined on the basis of the final price calculated after deducting the discount from MRP. The applicable taxes will be added before determining the L-1.
- 8.10. Price Negotiation : It is not mandatory to hold commercial negotiations in each case, particularly where the response has been substantial and the L1 price is found to be very close to the reasonable price, if such an assessment had been carried out prior to opening of the commercial bids. However, commercial negotiation may become necessary to ensure that the interest of the State is fully protected and the price paid is reasonable. Commercial negotiations are invariably conducted in case of single tender situations, including PAC cases, or when price is considered high with reference to assessed reasonable price, irrespective of the nature of tendering. Such negotiations are invariably conducted by a duly appointed Commercial Negotiation Committee (CNC), which should invariably include a rep of IFA. Price negotiation will be conducted only with the lowest quote (L-1). The recommendations of the CNC should be processed on file for the approval of the CFA with the concurrence of the IFA.

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19189/DGAFMS/DG-2C/Policy

21 Jun 2012

DGMS(Army)
DGMS(Navy)
DGMS(Air)

**PROCUREMENT OF MEDICAL ITEMS/STORES-
REGARDING PROCEDURE TO BE FOLLOWED**

1. Controller General of Defence Accounts (CGDA), vide letter No IFA/227 dated 23 May 2012, have informed that the ongoing practice of issuing fresh RFP every two months for procurement of medical stores is not in conformity with the DPM provisions. They have advised that

- a) A Rate Contract for one year may be concluded on the basis of estimated annual demand by the medical units/depots for items of regular consumption as per provisions contained in Chapter -8 of DPM- 2009.
- b) LP could be made as per requirement for items which are not frequently required, requirement is very small or for which RC is yet to be concluded.

2. It may be noted that different modalities of procurement like Price Agreement, local Rate Contract, Rate Enquiries, etc. may be utilized for procurement of essential items of regular consumption depending on local conditions and requirements. The LP powers are essentially intended to cover emergent situations when regular supply arrangements fail or when items are so petty and infrequently needed as not to warrant a regular supply system.

3. The present system of issuing RFP every two months for procurement of medicines is inefficient and loads avoidable lead time to

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the procurement system. Price Agreements / local Rate Contracts may be used to establish a system for maintaining essential stores on a long term basis rather than piecemeal purchase. This simplifies the procurement procedure and enables the CFAs to have an efficient and effective system for supply of essential items of regular consumption.

4. Copy of CGDA letter No IFA/227 dated 23 May 2012 is enclosed for your information and necessary action.
5. This has the approval of DGAFMS.
6. Kindly ack.



(LR Sharma)

Maj Gen

ADG(E&S)

Copy to :-

AFMSD Delhi Cantt, Lucknow , Mumbai & Pune } for info and similar
AFTC Delhi Cantt, EC(TC), AFMC(BTD), ALC } action.

✓ CGDA (IFA Wing)
Ulan Batra Road,
Palam, Delhi Cantt-10

- for info wrt your letter No
IFA/227 dt 23 May2012.

Internal

All Sections