

**GOVERNMENT OF ORISSA
FINANCE DEPARTMENT**

No. 42284/F Date 26.09.2011
Codes-27/11

OFFICE MEMORANDUM

Subject: Guidelines for outsourcing of 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 Orissa General Financial Rules on the lines of General Financial Rules-2005, there is a need to outline the basic policy framework for outsourcing of services.

Outsourcing of Services:

(i) **Authority competent to outsource services:** The competent authority i.e. Administrative Departments and Heads of Departments may allow outsourcing certain services in the interest of economy and efficiency.

(ii) **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. The services to be outsourced may include routine jobs like cleaning and sweeping of the premises, watch & ward, horticultural work, housekeeping services, maintenance of buildings, transport services, courier services, information and communication technology related services, highly professional and technical services etc. which is illustrative but not exhaustive. Other kinds of services may also be outsourced in case of the need for economy and efficiency in provision of services.

(iii) **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).

(iv) **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 engaged in similar activities **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 :	₹ 10.00 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 for consultancy services 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 inputs/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:

(a) For estimated value of the work or service up to Rupees two lakhs or less: The competent authority should scrutinize the preliminary list of likely contractors as identified as per the provisions of paragraph -3 above, decide the prima facie eligible and capable contractors and issue limited tender enquiry to them asking for their offers by a specified date and time etc. as per standard practice. The number of the contractors so identified for issuing limited tender enquiry should not be less than three.

(b) For estimated value of the work or service above Rupees two lakhs:

The competent authority should issue a brief tender enquiry in one local daily asking for the offers by a specified date and time etc. and the details be made available in the web site of competent authority. In case the estimated value of work / service exceeds rupees ten lakhs the under enquiry should be advertised in at least one largely circulated National Newspaper.

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 Received: The Committee constituted under Rule 12(3) of the Delegation of Financial Power Rules should evaluate, segregate, rank the responsive bids and select the successful bidder for placement of the contract.

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 discussions on staffing, Department's inputs, and special conditions of the contract. These discussions shall not substantially alter the original the 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 in para 9.1 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 into increase in the financial cost as originally quoted and on which basis the service provider has been called for the negotiations.

9.3 If the negotiations with the selected service provider fail, the employer 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 Orissa General Financial Rules & Delegation of Financial Power Rules.

By Order of Governor
W.
26/9/11
PRINCIPAL SECRETARY TO GOVERNMENT

Memo No. 42285(500) /F.,

Date 26.09.2011

Copy forwarded to the Secretary to Governor/Principal Secretary to Chief Minister/Private Secretary to all Ministers and Ministers of State/Accountant General(Civil Audit), Orissa, Bhubaneswar/Accountant General (A&E), Orissa, Bhubaneswar/ Deputy Accountant General(Works) Orissa, Puri/ All Departments of Government/ All Heads of Departments/ All Financial Advisors/All Asst. Financial Advisors/ All Collectors / All Treasury Officers and Sub-Treasury Officers/ Director, Madhusudan Das Regional Academy of Financial Management, Chandrasekharpur, Bhubaneswar /Director, Gopabandhu Academy of Administration, Bhubaneswar / Registrar of all Universities for information.


UNDER SECRETARY TO GOVERNMENT

Memo No. 42286(100) /F.,

Date 26.09.2011

Copy forwarded to P.A. to Principal Secretary/P.S. to Special Secretary/P.S. to all Additional Secretaries/All Officers/all Branches of Finance Department/Guard File (100 copies) for information and necessary action.


UNDER SECRETARY TO GOVERNMENT

Memo No. 42287 /F.,

Date 26.09.2011

Copy forwarded to the Head of Portal Group, Secretariat, Orissa for information and necessary action.

It is requested to host this Office Memorandum in the website (www.orissa.gov.in/finance/index.htm) of Finance Department for general information.


UNDER SECRETARY TO GOVERNMENT