

ANNEXURE-II

**MANUAL ON RULES & DEFINITIONS ON DELEGATION
OF ENHANCED FINANCIAL POWERS TO PORTS TRUST AUTHORITIES
BASED ON THE GENERAL FINANCIAL RULES**

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1. BUDGET FORMULATION

1.1 The Ministry of Finance, Budget Division, shall issue guide-lines for preparation of budget estimates from time to time. All the Ministries/Departments shall comply in full with these guidelines. **(Rule 43. (4))**

1.2 The budget shall contain the following **(Rule 44.):-**

- (i) Estimates of all Revenue expected to be raised during the financial year to which the budget relates.
- (ii) Estimates of all Expenditure for each programme and project in that financial year.
- (iii) Estimates of all interest and debt servicing charges and any repayments on loans in that financial year.
- (iv) Any other information as may be prescribed.

1.3 Receipt Estimates. (Rule 45.) : The detailed estimates of receipts will be prepared by the estimating authorities separately for each Major Head of Account in the prescribed form. For each Major Head, the estimating authority will give the break up of the Minor/Sub-head wise estimate along with actuals of the past three years. Where necessary, item-wise break up should also be furnished so as to highlight individual items of significance. Any major variation in estimates with reference to past actuals or / and budget Estimates will be supported by cogent reasons.

1.4 Expenditure estimates. (Rule 46. (1)) : The expenditure estimates shall show separately the sums required to meet the expenditure Charged on the Consolidated Fund under Article 112(3) of the Constitution and sums required to meet other expenditure for which a vote of the Lok Sabha is required under Article 113 (2) of the Constitution.

1.5 The estimates shall also distinguish provisions for expenditure on revenue account from that for other expenditure including expenditure on capital account, on loans by the Government and for repayment of loans, treasury bills and ways and means advances. **(Rule 46. (2))**

1.6 The detailed estimates of expenditure will be prepared by the estimating authorities for each unit of appropriation (Sub or Detailed or Object head) under the prescribed Major and Minor Heads of Accounts separately for Plan and Non-Plan expenditure. Estimates should include suitable provision for liabilities of the previous years left unpaid during the relevant year. **(Rule 46. (3))**

1.7 The estimates of Plan expenditure will be processed in consultation with the Planning Commission in accordance with the instructions issued by them. **(Rule 46. (4))**

1.8 The Revised Estimates of both Plan and Non-Plan expenditure and Budget Estimates for Non-Plan expenditure after being scrutinized by the Financial Advisers and approved by the Secretary of the Administrative Ministry or Department concerned will be forwarded to the Budget Division in the Ministry of Finance in such manner and forms as may be prescribed by them from time to time. **(Rule 46. (5))**

2. EXPENDITURE & REPPROPRIATION

2.1 Additional Allotment for excess expenditure. (Rule 58 (1)) : A subordinate authority incurring the expenditure will be responsible for seeing that the allotment placed at its disposal is not exceeded. Where any excess over the allotment is apprehended, the subordinate authority should obtain additional allotment before incurring the excess expenditure. For this purpose, the authorities incurring expenditure should maintain a 'Liability Register' in Form GFR 6.

2.2 A disbursing Officer may not, on his own authority, authorize any payment in excess of the funds placed at his disposal. If the Disbursing Officer is called upon to honour a claim, which is certain to produce an excess over the allotment or appropriation at his disposal, he should take the orders of the administrative authority to which he is subordinate before authorizing payment of the claim in question. The administrative authority will then arrange to provide funds either by re-appropriation or by obtaining a Supplementary Grant or Appropriation or an advance from the Contingency Fund. **(Rule 58 (2))**

2.3 Reappropriation of Funds.: (Rule 59. (1)) : Subject to the provisions of Rule 10 of the Delegation of Financial Powers Rules, 1978, and also subject to such other general or specific restrictions as may be imposed by the Finance Ministry in this behalf, reappropriation of funds from one primary unit of appropriation to

another such unit within a grant or appropriation, may be sanctioned by a competent authority at any time before the close of the financial year to which such grant or appropriation relates.

2.4 Reappropriation of funds shall be made only when it is known or anticipated that the appropriation for the unit from which funds are to be transferred will not be utilized in full or that savings can be effected in the appropriation for the said unit. **(Rule 59. (2))**

2.5 Funds shall not be reappropriated from a unit with the intention of restoring the diverted appropriation to that unit when savings become available under other units later in the year. **(Rule 59. (3))**

2.6 An application for reappropriation of funds should ordinarily be supported by a statement in Form GFR 4 or any other special form authorized by departmental regulations showing how the excess is proposed to be met. In all orders, sanctioning reappropriation, the reasons for saving and excess of Rupees 1 Lakh or over and the primary units (secondary unit, wherever necessary), affected should be invariable stated. The authority sanctioning the reappropriation should endorse a copy of the order to the Accounts Officer. **(Rule 59. (4))**

3. CONTINGENCY FUND

3.1 **Advance from Contingency Fund. (Rule 61. (1)) :** When a need arises to incur unforeseen expenditure in excess of the sanctioned grant or appropriation or on a new service not provided in Budget and there is not sufficient time for the voting of the Supplementary Demand and the passing of the connected appropriation bill before close of the financial year, an advance from the Contingency Fund set up under Article 267 (1) of the Constitution shall be obtained before incurring the expenditure.

3.2 An advance from the Contingency Fund shall also be obtained to meet expenditure in excess of the provisions for the service included in an Appropriation (Vote on Account) Act. **(Rule 61. (2))**

3.3 The application for an advance from the Contingency Fund should indicate inter alia the particulars of the additional expenditure involved and the sanction to the advance has also to indicate the sub-head and the primary unit of the Grant to which the expenditure appropriately relates. In case, however, any difficulty is felt, the matter should be referred to the Finance Ministry for clarification. **(Rule 61. (3))**

3.4 The procedure for obtaining an advance from the Contingency Fund and recoupment of the Fund shall be as laid down in the Contingency Fund of India Rules, 1952, as emended from time to time. **(Rule 61. (4))**

4. PLAN & NON PLAN (CAPITAL) EXPENDITURE

4.1 Plan or Non-plan Expenditure. (Rule 78.) : Plan expenditure representing expenditure on Plan outlay approved for each scheme or organization by the Planning Commission and indicating the extent to which such outlays are met out of budgetary provisions shall be shown distinctly from the other (Non-Plan) expenditure in the accounts as well as in the Budget documents.

4.2 Capital or Revenue Expenditure. (Rule 79.) : Significant expenditure incurred with the object of acquiring tangible assets of a permanent nature (for use in the organization and not for sale in the ordinary course of business) or enhancing the utility of existing assets, shall broadly be defined as Capital expenditure. Subsequent charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order as also all other expenses incurred for the day-to-day running of the organization, including establishment and administrative expenses shall be shown separately in the Accounts.

4.3 Capital Expenditure. (Rule 90.) : Significant expenditure incurred with the object of acquiring tangible assets of a permanent nature (for use in the organization and not for sale in the ordinary course of business) or enhancing the utility of existing assets, shall broadly be defined as Capital expenditure. Subsequent charges on maintenance, repair, upkeep and working expenses, which are required to maintain the assets in a running order as also all other expenses incurred for the day-to-day running of the organization, including establishment and administrative expenses, shall be classified as Revenue expenditure. Capital and Revenue expenditure shall be shown separately in the Accounts.

4.4 Capital expenditure is generally met from receipts of capital nature, as distinguished from ordinary revenues derived from taxes, duties, fees, fines and similar items of current income including extraordinary receipts. It is open to the Government to meet capital expenditure from ordinary revenues, provided there are sufficient revenue resources to cover this liability.

4.5 Allocation between capital and revenue expenditure. (Rule 92.) : The allocation between capital and revenue expenditure on a Capital Scheme for which separate Capital and Revenue Accounts are to be kept, shall be determined in accordance with such general or special orders as may be prescribed by the Government after consultation with the Comptroller and Auditor-General.

5. POWER TO SANCTION WORKS & ITS EXECUTION

5.1 Powers to sanction works (Rule 125.) : The powers delegated to various subordinate authorities to accord administrative approval, sanction expenditure and re-appropriate funds for works are regulated by the Delegation of Financial Powers Rules, 1978, and other orders contained in the respective departmental regulations.

5.2 A Ministry or Department at its discretion may directly execute repair works estimated to cost up to Rupees Thirty Lakhs after following due procedure indicated in Rule 132. **(Rule 126. – (1))**

5.3 Procedure for Execution of Works. (Rule 132.) – The broad procedure to be followed by a Ministry or Department for execution of works under its own arrangements shall be as under:-

- (i) the detailed procedure relating to expenditure on such works shall be prescribed by departmental regulations framed in consultation with the Accounts Officer, generally based on the procedures and the principles underlying the financial and accounting rules prescribed for similar works carried out by the Central Public Works Department (CPWD);
- (ii) Preparation of detailed design and estimates shall precede any sanction for works;
- (iii) No work shall be undertaken before issue of Administrative Approval and Expenditure Sanction by the competent Authority on the basis of estimates framed;
- (iv) Open tenders will be called for works costing Rupees five lakhs to Rupees ten lakhs;
- (v) Limited tenders will be called for works costing less than Rupees five lakhs;
- (vi) Execution on Contract Agreement or Award of Work should be done before commencement of the work;

6. PROCUREMENT OF GOODS

6.1 This chapter contains the general rules applicable to all Ministries or Departments, regarding procurement of goods required for use in the public service. Detailed instructions relating to procurement of goods may be issued by the procuring departments broadly in conformity with the general rules contained in this Chapter. **(Rule 135.)**

6.2 Definition of Goods (Rule 136) : The term 'goods' used includes

- all articles,
- material,
- commodities,
- livestock,
- furniture,
- fixtures,
- raw material,
- spares,
- instruments,
- machinery,
- equipment,
- industrial plant etc.

purchased or otherwise acquired for the use of Government But excludes books, publications, periodicals, etc. for a library.

6.3 Fundamental principles of public buying (Rule 137) : Every authority delegated with the financial powers of procuring goods in public interest shall have the responsibility and accountability to bring efficiency, economy, transparency in matters relating to public procurement and for fair and equitable treatment of suppliers and promotion of competition in public procurement.

6.4 The procedure to be followed in making public procurement must conform to the following yardsticks:-

(i) the specifications in terms of quality, type etc., as also quantity of goods to be procured, should be clearly spelt out keeping in view the specific needs of the procuring organisations. The specifications so worked out should meet the basic needs of the organisation without including superfluous and non-essential features, which may result in unwarranted expenditure. Care should also be taken to avoid purchasing quantities in excess of requirement to avoid inventory carrying costs;

(ii) offers should be invited following a fair, transparent and reasonable procedure;

(iii) the procuring authority should be satisfied that the selected offer adequately meets the requirement in all respects;

(iv) the procuring authority should satisfy itself that the price of the selected offer is reasonable and consistent with the quality required;

(v) at each stage of procurement the concerned procuring authority must place on record, in precise terms, the considerations which weighed with it while taking the procurement decision.

6.5 Authorities competent to purchase goods (Rule 138.): An authority which is competent to incur contingent expenditure may sanction the purchase of goods required for use in public service in accordance with Schedule V of the Delegation of Financial Powers Rules, 1978, following the general procedure contained.

6.6 Procurement of goods required on mobilisation (Rule 139.): Procurement of goods required on mobilisation and/ or during the continuance of Military operations shall be regulated by special rules and orders issued by the Government on this behalf from time to time.

6.7 Powers for procurement of goods (Rule 140) : The Ministries or Departments have been delegated full powers to make their own arrangements for procurement of goods. In case however, a Ministry or Department does not have the required expertise, it may project its indent to the Central Purchase Organisation (e.g. DGS&D) with the approval of competent authority. The indent form to be utilised for this purpose will be as per the standard form evolved by the Central Purchase Organisation.

6.8 Rate Contract (Rule 141) : The Central Purchase Organisation (e.g. DGS&D) shall conclude rate contracts with the registered suppliers, for goods and items of standard types, which are identified as common user items and are needed on recurring basis by various Central Government Ministries or Departments. Definition of Registered suppliers is given in **Rule 142 below**. The Central Purchase Organisation will furnish and update all the relevant details of the rate contracts in its web site. The Ministries or Departments shall follow those rate contracts to the maximum extent possible.

6.9 Registration of Suppliers(Rule 142.) :

- (i) With a view to establishing reliable sources for procurement of goods commonly required for Government use, the Central Purchase Organisation (e.g. DGS&D) will prepare and maintain item-wise lists of eligible and capable suppliers. Such approved suppliers will be known as "Registered Suppliers". All Ministries or Departments may utilise these lists as and when necessary. Such registered suppliers are prima facie eligible for consideration for procurement of goods through Limited Tender Enquiry. They are also ordinarily exempted from furnishing bid security along with their bids. A Head of Department may also register suppliers of goods which are specifically required by that Department or Office.
- (ii) Credentials, manufacturing capability, quality control systems, past performance, after-sales service, financial background etc. of the supplier(s) should be carefully verified before registration.
- (iii) The supplier(s) will be registered for a fixed period (between 1 to 3 years) depending on the nature of the goods. At the end of this period, the registered supplier(s) willing to continue with registration are to apply afresh for renewal of registration. New supplier(s) may also be considered for registration at any time, provided they fulfil all the required conditions.
- (iv) Performance and conduct of every registered supplier is to be watched by the concerned Ministry or Department. The registered supplier(s) are liable to be removed from the list of approved suppliers if they fail to abide by the terms and conditions of the registration or fail to supply the goods on time or supply substandard goods or make any false declaration to any Government agency or for any ground which, in the opinion of the Government, is not in public interest.

6.10 Enlistment of Indian Agents (Rule 143) : As per the Compulsory Enlistment Scheme of the Department of Expenditure, Ministry of Finance, it is compulsory for Indian agents, who desire to quote directly on behalf of their foreign principals, to get themselves enlisted with the Central Purchase Organisation (eg. DGS&D). However, such enlistment is not equivalent to registration of suppliers as mentioned under Rule 142 above.

6.11 Reserved Items(Rule 144) : The Central Government, through administrative instructions, has reserved all items of handspun and handwoven textiles (khadi goods) for exclusive purchase from Khadi Village Industries Commission (KVIC). It has also reserved all items of handloom textiles required by

Central Government departments for exclusive purchase from KVIC and/or the notified handloom units of ACASH (Association of Corporations and Apex Societies of Handlooms). The Central Government has also reserved some items for purchase from registered Small Scale Industrial Units. The Central Departments or Ministries are to make their purchases for such reserved goods and items from such units as per the instructions issued by the Central Government in this regard.

7. PURCHASE OF GOODS

7.1 Purchase of goods without quotation (Rule 145.) : Purchase of goods upto the value of Rs. 15,000/- (Rupees Fifteen Thousand) only on each occasion may be made without inviting quotations or bids on the basis of a certificate to be recorded by the competent authority in the following format.

“I, _____, am personally satisfied that these goods purchased are of the requisite quality and specification and have been purchased from a reliable supplier at a reasonable price.”

7.2 Purchase of goods by purchase committee (Rule 146.): Purchase of goods costing above Rs. 15,000/- (Rupees Fifteen Thousand) only and upto Rs. 1,00,000/- (Rupees One lakh) only on each occasion may be made on the recommendations of a duly constituted Local Purchase Committee consisting of three members of an appropriate level as decided by the Head of the Department. The committee will survey the market to ascertain the reasonableness of rate, quality and specifications and identify the appropriate supplier. Before recommending placement of the purchase order, the members of the committee will jointly record a certificate as under.

“Certified that we _____, members of the purchase committee are jointly and individually satisfied that the goods recommended for purchase are of the requisite specification and quality, priced at the prevailing market rate and the supplier recommended is reliable and competent to supply the goods in question. “

7.3 Purchase of goods directly under rate contract (Rule 147.) :

(1) In case a Ministry or Department directly procures Central Purchase Organisation (e.g. DGS&D) rate contracted goods from suppliers, the prices to be paid for such goods shall not exceed those stipulated in the rate contract and the other salient terms and conditions of the purchase should be in line with those specified in the rate contract. The Ministry or Department

shall make its own arrangement for inspection and testing of such goods where required.

(2) The Central Purchase Organisation (e.g. DGS&D) should host the specifications, prices and other salient details of different rate contracted items, appropriately updated, on the web site for use by the procuring Ministry or Department.

7.4 A demand for goods should not be divided into small quantities to make piece meal purchases to avoid the necessity of obtaining the sanction of higher authority required with reference to the estimated value of the total demand. **(Rule 148.)**

8. TENDER PROCEDURES

8.1 Purchase of goods by obtaining bids(Rule 149.)

Except in cases covered under **Rule 145, 146 and 147(1)**, Ministries or Departments shall procure goods under the powers referred to in **Rule 140** above by following the standard method of obtaining bids in:

- (i) Advertised Tender Enquiry;
- (ii) Limited Tender Enquiry;
- (iii) Single Tender Enquiry.

8.2 Advertised Tender Enquiry(Rule 150.);

(i) Subject to exceptions incorporated under **Rules 151 and 154**, invitation to tenders by advertisement should be used for procurement of goods of estimated value Rs. 25 lakh (Rupees Twenty Five Lakh) and above. Advertisement in such case should be given in the Indian Trade Journal (ITJ), published by the Director General of Commercial Intelligence and Statistics, Kolkata and at least in one national daily having wide circulation.

(ii) An organisation having its own web site should also publish all its advertised tender enquiries on the web site and provide a link with NIC web site. It should also give its web site address in the advertisements in ITJ and newspapers.

(iii) The organisation should also post the complete bidding document in its web site and permit prospective bidders to make use of the document downloaded from the web site. If such a downloaded bidding document is

priced, there should be clear instructions for the bidder to pay the amount by demand draft etc. along with the bid.

(iv) Where the Ministry or Department feels that the goods of the required quality, specifications etc., may not be available in the country and it is necessary to also look for suitable competitive offers from abroad, the Ministry or Department may send copies of the tender notice to the Indian embassies abroad as well as to the foreign embassies in India. The selection of the embassies will depend on the possibility of availability of the required goods in such countries.

(v) Ordinarily, the minimum time to be allowed for submission of bids should be three weeks from the date of publication of the tender notice or availability of the bidding document for sale, whichever is later. Where the department also contemplates obtaining bids from abroad, the minimum period should be kept as four weeks for both domestic and foreign bidders.

8.3 Limited Tender Enquiry(Rule 151.)

(i) This method may be adopted when estimated value of the goods to be procured is up to Rupees Twentyfive Lakhs. Copies of the bidding document should be sent directly by speed post/registered post/courier/e-mail to firms which are borne on the list of registered suppliers for the goods in question as referred under **Rule 142 above**. The number of supplier firms in Limited Tender Enquiry should be more than three. Further, web based publicity should be given for limited tenders. Efforts should be made to identify a higher number of approved suppliers to obtain more responsive bids on competitive basis.

(ii) Purchase through Limited Tender Enquiry may be adopted even where the estimated value of the procurement is more than Rupees twenty-five Lakhs, in the following circumstances.

(a) The competent authority in the Ministry or Department certifies that the demand is urgent and any additional expenditure involved by not procuring through advertised tender enquiry is justified in view of urgency. The Ministry or Department should also put on record the natureof the urgency and reasons why the procurement could not be anticipated.

(b) There are sufficient reasons, to be recorded in writing by the competent authority, indicating that it will not be in public interest to procure the goods through advertised tender enquiry.

(c) The sources of supply are definitely known and possibility of fresh source(s) beyond those being tapped, is remote.

(iii) Sufficient time should be allowed for submission of bids in Limited Tender Enquiry cases.

8.4 Two bid system(Rule 152.) : For purchasing high value plant, machinery etc. of a complex and technical nature, bids may be obtained in two parts as under :-

(a) Technical bid consisting of all technical details alongwith commercial terms and conditions; and

(b) Financial bid indicating item-wise price for the items mentioned in the technical bid.

The technical bid and the financial bid should be sealed by the bidder in separate covers duly superscribed and both these sealed covers are to be put in a bigger cover which should also be sealed and duly superscribed. The technical bids are to be opened by the purchasing Ministry or Department at the first instance and evaluated by a competent committee or authority. At the second stage financial bids of only the technically acceptable offers should be opened for further evaluation and ranking before awarding the contract.

8.5 Late Bids : In the case of advertised tender enquiry or limited tender enquiry, late bids (i.e. bids received after the specified date and time for receipt of bids) should not be considered. **(Rule 153.)**

8.6 Single Tender Enquiry(Rule 154.) :

Procurement from a single source may be resorted to in the following circumstances

(i) It is in the knowledge of the user department that only a particular firm is the manufacturer of the required goods.

(ii) In a case of emergency, the required goods are necessarily to be purchased from a particular source and the reason for such decision is to be recorded and approval of competent authority obtained.

(iii) For standardisation of machinery or spare parts to be compatible to the existing sets of equipment (on the advice of a competent technical expert and approved by the competent authority), the required item is to be purchased only from a selected firm.

Note : *Proprietary Article Certificate in the following form is to be provided by the Ministry/Department before procuring the goods from a single source under the provision of sub Rule 154 (i) and 154 (iii) as applicable.*

- (i) The indented goods are manufactured by M/s.....
- (ii) No other make or model is acceptable for the following reasons
.....
- (iii) Concurrence of finance wing to the proposal vide:
- (iv) Approval of the competent authority vide:.....

(Signature with date and designation of the procuring officer)

8.7 Contents of Bidding Document (Rule 155.)::- All the terms, conditions, stipulations and information to be incorporated in the bidding document are to be shown in the appropriate chapters as below

Chapter – 1 : Instructions to Bidders.

Chapter – 2 : Conditions of Contract.

Chapter – 3 : Schedule of Requirements.

Chapter – 4 : Specifications and allied Technical Details.

Chapter – 5 : Price Schedule(to be utilised by the bidders for quoting their prices).

Chapter – 6 : Contract Form.

Chapter – 7 : Other Standard Forms, if any, to be utilised by the purchaser and the bidders.

8.8 Maintenance Contract (Rule 156.):

Depending on the cost and nature of the goods to be purchased, it may also be necessary to enter into maintenance contract(s) of suitable period either with the supplier of the goods or with any other competent firm, not necessarily the supplier of the subject goods. Such maintenance contracts are especially needed for sophisticated and costly equipment and machinery. It may however be kept in mind that the equipment or machinery is maintained free of charge by the supplier during

its warranty period or such other extended periods as the contract terms may provide and the paid maintenance should commence only thereafter.

8.9 Bid Security(Rule 157.) :

(i) To safeguard against a bidder's withdrawing or altering its bid during the bid validity period in the case of advertised or limited tender enquiry, Bid Security (also known as Earnest Money) is to be obtained from the bidders except those who are registered with the Central Purchase Organisation, National Small Industries Corporation (NSIC) or the concerned Ministry or Department. The bidders should be asked to furnish bid security along with their bids. Amount of bid security should ordinarily range between two percent to five percent of the estimated value of the goods to be procured. The exact amount of bid security, should be determined accordingly by the Ministry or Department and indicated in the bidding documents. The bid security may be accepted in the form of Account Payee Demand Draft, Fixed Deposit Receipt, Banker's Cheque or Bank Guarantee from any of the commercial banks in an acceptable form, 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.

(ii) Bid securities of the unsuccessful bidders should be returned to them at the earliest after expiry of the final bid validity and latest on or before the 30th day after the award of the contract.

8.10 Performance Security(Rule 158.) :

(i) To ensure due performance of the contract, Performance Security is to be obtained from the successful bidder awarded the contract. Performance Security is to be obtained from every successful bidder irrespective of its registration status etc. Performance Security should be for an amount of five to ten per cent. of the value of the contract. Performance Security may be furnished in the form of an Account payee Demand Draft, Fixed Deposit Receipt from a Commercial bank, Bank Guarantee from a Commercial bank in an acceptable form safeguarding the purchasers interest in all respects.

(ii) Performance Security should remain valid for a period of sixty days beyond the date of completion of all contractual obligations of the supplier including warranty obligations.

(iii) Bid security should be refunded to the successful bidder on receipt of Performance Security.