

No.29(1)/2014-PPD
Ministry of Finance
Department of Expenditure
P.P. Division

North Block, New Delhi,
Dated 28th January, 2014

OFFICE MEMORANDUM

Subject - Clarification in Rule 160(xiv) of General Financial Rules, 2005 –
regarding award of contract to a firm which has quoted "NIL"
consideration in the bid.

The undersigned is directed to invite attention to the provision of Rule 160 (xiv) of GFRs, 2005 which inter-alia states that the "Contract should ordinarily be awarded to the lowest evaluated bidder whose bid has been found to be responsive and who is eligible and qualified to perform the contract satisfactorily as per the terms and conditions incorporated in the corresponding bidding document". Attention is also invited to Para 3.6 of the Manual on Policies and Procedures for Purchase of Goods issued by this Department which inter-alia state that "Inadequacy of consideration is not a ground for avoiding the contract".

2. A doubt has arisen as to whether award of a contract can be made against a bid with "NIL" consideration. In a recent case of hiring of manpower services, it was seen that the lowest bidder had quoted 'Nil' charges over and above the minimum wages. The issue was referred to Ministry of Law which has advised that in such cases, an agreement without consideration becomes null and void.

3. It is, therefore, decided that the Ministries/ Departments may consider inclusion of the clause in the bid documents itself that "If a firm quotes 'Nil' charges / consideration, the bid shall be treated as unresponsive and will not be considered.

SA
28-1-14
(Sanjay Aggarwal)
Director (PPD)
T.No. 23094961

To

- (i) All the Secretaries & the Financial Advisers of Ministries / Departments of the Government of India.
- (ii) Copy forwarded to C&AG (with usual No. of spare copies) and to Secretary, Union Public Service Commission, etc. as per standard endorsement list).

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