

OFFICE OF THE CGDA WEST BLOCK-V RK PURAM NEW DELHI  
(PRINCIPAL IFA WING)

Govt. Order No. 1 of 2009

No. PIFA/Gen Corr/IFA Navy

Dated 13/2009

To

All PCsDA/PCDA (HRD)/ CsDA/ IFAs

Subject:- Determination of Competent Financial Authority (CFA) while exercising 'option clause' for capital procurements- Clarification regarding.

A copy of MOD Acquisition Wing letter bearing no. DID No. 4(55)/D (Acq)/08 dt 2-2-09 received under AFA (O) No. 529/AFA(O)/08 is forwarded herewith for information and guidance please.

Jt. CGDA (IFA) has seen.



R. K. Kaul  
(Sr. AO)

Copy to:

1. Jt. CGDA (AT-I) }
2. Jt. CGDA (AT-II) } - For kind information
3. Jt. CGDA (AT-III) }
4. Jt. CGDA (A&B) }
5. Sr. Dy. CGDA (EDPS) - with the request to place the circular on the website.
6. ADG FP Army HQrs, South Block New Delhi }
7. ACAS (Fin-P), Air HQrs Vayu Bhawan New Delhi } - For kind information
8. ACNS (P&P) Navy, NHQ, Sena Bhawan New Delhi }
9. Hindi Cell (Local) - For issuing Hindi version.



R. K. Kaul  
(Sr. AO)

FI- circulate to all concerned  
I FA6

No.529/AFA(O)/08  
Ministry of Defence(Finance)  
(Acquisition Wing/O)


~~Sr. Asst. A~~  
SAO ( )  
(Shri. Kaur)

NP 27/02/09

Sub: **Determination of Competent Financial Authority (CFA) while exercising 'Option Clause' for capital procurements - Clarification regarding.**

Pl give a  
reply serial  
No. to the  
Circular.  
Also put it on  
web-intl.

The undersigned is directed to enclose a copy of ID No.4(55)/D(Acq)/08 dated 02.02.2009 issued by DG(Acq) conveying the decision of DPP on the issue captioned above.

  
(Ravi Katyal)  
AFA(O)

NP  
2/3.

Addl. FA(A)

Copy to: Office of CGDA, West Block, R.K. Puram, New Delhi for information.

Sr As  
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**MINISTRY OF DEFENCE**  
**(Acquisition Wing Sectt.)**

Subject: **Determination of Competent Financial Authority (CFA) while exercising 'Option Clause' for Capital Procurements - Clarification regarding.**

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Para 39 of Draft RFP format and Article 32 of the Standard Contract Document of DPP-2008 deals with 'Option Clause'. The 'Option Clause', *inter-alia*, stipulates that the 'Buyer' shall have the right to place separate order on the 'Seller' within a specified period of signing of the contract for the main equipment, spares, facilities or services as per the cost, terms and conditions set out in the contract up to a maximum of 50% quantity and during the original period of contract provided there is no downward trend in prices. The price of the system, spares etc. shall remain same till ..... year from the effective date of the contract.

2. At present since the 'Option Clause' forms a part of the draft RFP format and the standard contract document under DPP-2008, the same is included accordingly. Moreover, in the absence of any provisions to the contrary, the existing practice is that the CFA for exercise of the 'Option Clause' is determined with reference to the value of the order under consideration in the exercise of the 'Option Clause' without reference to the original contract.

3. The issue of determination of CFA while exercising 'Option Clause' for Capital procurement was brought before the DPB (11/2008) at its meeting held on 17-12-2008. The DPB directed that the existing practice with regard to deciding the CFA for seeking approval of Capital procurement under 'Option Clause' may continue. DPB further directed that all concerned are to exercise due care and caution while deciding the need for insertion of 'Option Clause' in the RFP and this should be examined and deliberated by SCAPCC and SCAPCHC at the time of AoN and quantity vetting. The period for which 'Option Clause' would be sought may also be deliberated and decided by the SCAPCC/SCAPCHC.

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dispose it off  
as discussed  
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AFAC(O)

197/AIACO  
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238/AI/L1

214/DR (Rin/Acq.)  
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4. The above direction of the DPB may, invariably be followed. Due justification for inclusion of 'Option Clause' may, accordingly be indicated separately in the Statement of Case, floated by the concerned Service Headquarters.



(Shashi Kant Sharma)

Director General (Acquisition)

CISC VCOAS VCNS VCAS FA (DS) FA(Acq) CGDA

M of D I.D.No.4(55)/D(Acq)/08 dt. 02-02-2009

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