

F.No.26/1/2012-PPD
Government of India
Ministry of Finance
Department of Expenditure

New Delhi, the 1st October, 2013

OFFICE MEMORANDUM

Subject:- Inclusion of Exchange Rate Variation (ERV) clause in Contracts relating to procurement of IT products.

The undersigned is directed to say that in the background of the decline in the value of the Indian Rupee in the recent past, there have been several representations from IT hardware industry for the inclusion of an Exchange Rate Variation Clause in Government contracts for products like computers, tablets, laptop, printers, which have a significant import content, and are therefore adversely affected with the drop in the value of the Indian Rupee.

2. In this context, attention of all procuring entities in Government is invited to the manual on Policies and Procedures for purchase of goods, Para 9.3.4 of which provides for inclusion of an Exchange Rate Variation (ERV) clause in cases of a contract involving substantial import content and having a long delivery period (exceeding one year from the date of contract). In such cases an appropriate Foreign Exchange Variation clause may be formulated by the Purchase Organization in consultation with its Finance Wing, as needed, and incorporated in the Tender Enquiry Document.

3. Care may be taken to ensure that the ERV clause is structured appropriately and with no ambiguity. The price agreed upon should specify the base level Exchange Rate viz., the month and year to which the price is linked, to enable variations being calculated with reference to the rate prevailing in that month and year. A formula for calculation of the rate variations that have taken place between the Base level and the Scheduled Delivery Date should be included in this clause. The variations should be calculated by using indices published by Governments periodically. The tenderers should clearly indicate the import content and the currencies used for calculating the value of import content in their total quoted price, which will be in Indian Rupees.

4. The procuring entity should also ensure that an assessment of the likely financial implication of the ERV clause should be made and IT procurements calibrated so as to ensure that they are need-based and they remain within the available budget. Requests for allocation of additional funds on this score would not be entertained.

5. All the Ministries/Departments are requested to bring the amendments to the notice of their attached and subordinate offices for their information and necessary action.

6. Hindi version of this O.M. will follow.


(Vinayak T. Likhari)
Under Secretary to the Government of India.

To

- 1. Secretaries of all Ministries/Departments of the Government of India.
- 2. Controller General of Accounts (CGA).
- 3. Financial Advisers of all Ministries/Departments of the Government of India.
- 4. Copy forwarded to C&AG (with usual No. of spare copies) and to Secretary, Union Public Service Commission, etc. as per standard endorsement list.


(Vinayak T. Likhari)
Under Secretary to the Government of India.