

# Procurement Policy

## GENERAL

This Procurement Manual applies to all operations of the organization, if stricter procurement procedures are stipulated by a donor, then the donor's procedures shall prevail.

This manual shall be used for

- ✚ Understanding procurement management by Organization staff
- ✚ Training in procurement procedures
- ✚ Proposal writing

This manual attempts to

- ✚ Introduce key procurement concepts
- ✚ Present procurement procedures in a straightforward way
- ✚ Provide necessary templates to facilitate the procurement process

The following key aspects of the procurement process are common requirements:

- ✚ **Transparency, fairness and fraud prevention** is important so that everyone will know that funds are being honestly spent and accounted for.
- ✚ **Equal opportunity** ensures that the suppliers/contractors are provided with equal opportunity.
- ✚ **Economy and efficiency** (value for money) means that supplies, services and civil works will be purchased at a reasonable price.
- ✚ **Effectiveness** means that the supplies, services and civil works will fulfil project objectives.

The following General Principles shall always be respected and adhered to in all procurement, irrespective of the procurement method:

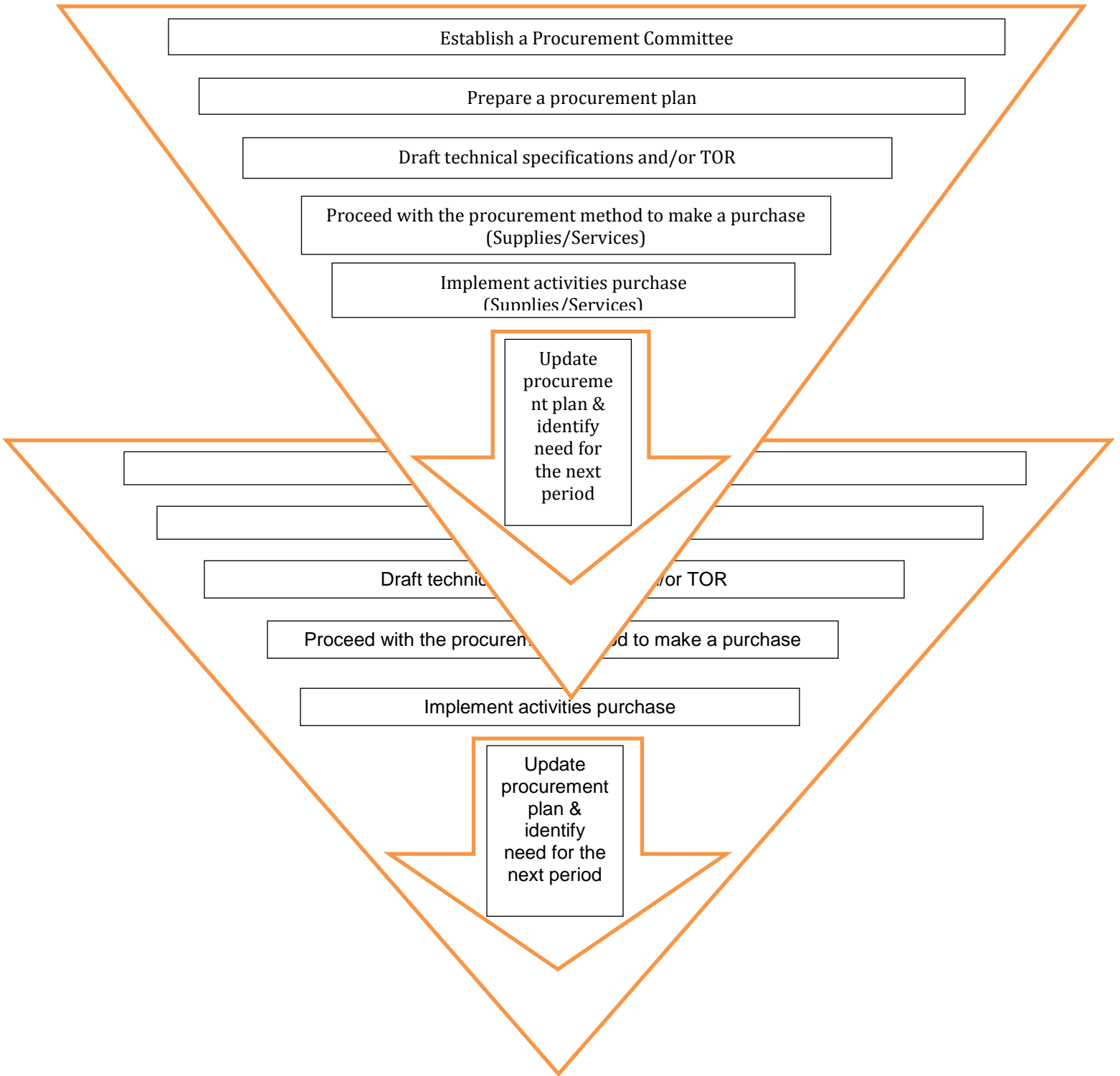
The award of contracts, with independence of the procurement procedure followed, shall always conform to the principles of economy and efficiency. The works, services or goods supplied must comply with the following requirements:

- ✚ Satisfactory quality
- ✚ Timely delivery or completion
- ✚ Price corresponding to market prices

# PROCUREMENT PROCESS AND METHODS

## Overall procurement process

Below table shows the overall procurement process:



## **Procurement Committee**

The Program Manager shall ensure that a procurement committee is established before any procurement activities are initiated.

The Procurement Committee shall consist of at least two persons, the Procurement Officer and the Programme Manager (or a person appointed by the Programme Manager). The main responsibility of the Committee is:

- ✚ To make sure that procurement activities are initiated on time
- ✚ To make sure that all internal and external experts required for the project are being consulted early in the project phase and committed to provide the input/information/specifications needed for the procurement activities – and to ensure that procurement plan and activity plan correspond
- ✚ To collect quotations, evaluate offers, issue purchase order
- ✚ The Procurement Officer shall be designated responsibility for the committee upholding the procedures stipulated in this manual.
- ✚ Ensure that the procurement fulfils donor requirements

It is the overall responsibility of the Programme Manager to ensure that a Procurement Plan has been drafted and

- ✚ Corresponds to the programme's operational plan in respect to material need and timing for delivery of material
- ✚ That it fulfils donor requirements
- ✚ To ensure sufficient cash flow in the programme to pay suppliers on time in order not to cause delays.

## **The purpose of a Procurement Committee**

The two main reasons for establishing a Procurement Committee are:

- ✚ To ensure that procurement planning is considered and included in the project cycle and that key project staff understand how the timeframe for procurement will affect the project – and to ensure that all procurement requirements are planned for at the beginning of the project, i.e. to receive the right goods at the right time
- ✚ To ensure that all procurement is carried out objectively in a fair and transparent manner and to prevent corruption and fraud. As a rule procurement and payment may not be done by the same person.

## **Preparing a procurement plan**

The procurement plan should be prepared. The procurement plan is prepared by the Procurement/logistic Officer in cooperation with the project staff – the plan should answer the questions of what to buy, when to buy and how to buy.

## **Identify required resources and costs**

What to buy – first it shall be established what resources are required (supplies, services,). At this stage it is important to determine the minimum specification to obtain the correct budget prices.

Considerations for logistics – such as local transport, insurance, warehousing and distributions shall also be taken into consideration when preparing the budget.

## **Local market survey**

Once the resource need has been established a thorough market survey shall be carried out to establish:

- ✚ Local availability of the required supplies services. The market survey should answer if the local quality is acceptable, prices, local trade customs and availability of resources.
- ✚ For service contracts– investigate availability of local consultants and contractors. It is recommended to check the record and reputation of the contractors and consultants.
- ✚ Local transport and storage – options and costs.
- ✚ Costs for customs clearing.

## **Grouping of lots/tenders:**

To get the best prices, all supplies, services and civil works required for the project shall be grouped into lots – preparing the lots is the process of grouping similar items which can be purchased from one supplier.

## **Procurement lots have several advantages:**

- ✚ Suppliers can often quote lower prices – **cost saving**
- ✚ It reduces effort and cost of repeating the purchasing process many times – **time saving**

## **Procurement method**

The request for quotations is sent to identified suppliers and service contractors. Disseminating of RFQ is necessary to:

- ✚ Inform everyone about the business opportunities available
- ✚ Promote transparency and accountability
- ✚ Generate competition to obtain the best prices
- ✚ Provide the programme with new potential suppliers

## Technical specifications and Terms of Reference

Thorough preparation of the Technical Specifications for goods and works or Terms of Reference for services is extremely important for the ultimate success of the project.

Technical specifications and Terms of Reference define the characteristics required of a product, service or work with regard to the purpose for which they are intended - those characteristics for supplies and works include:

- + Quality levels
- + Environmental performance
- + Design for all requirements
- + Levels and procedures of conformity assessment
- + Fitness for use
- + Safety or dimensions, including, for supplies, the sales name and user instructions, and, for all contracts, terminology, symbols, testing and test methods, packaging, marking and labelling, production procedures and methods

## Selecting a procurement method

When selecting an appropriate procurement method for each activity in the procurement plan, the Procurement Committee shall consider which category of resources to buy and the threshold (value) of the different categories.

Resources are generally categorised in the following:

**Supplies:** Supply contracts cover the purchase, operational leasing, rental or hire purchase of products (e.g. rent of vehicles with or without option to buy). The delivery of products may in addition include siting, installation and maintenance.

**Services:** Service contracts cover all intellectual and non-intellectual services other than those covered by supply contracts, works contracts and property contracts. Service contracts also comprise study and technical assistance contracts and freight contracts.

A **study contract** is a contract which includes studies for the identification and preparation of projects, feasibility studies, technical studies and audits.

A **technical assistance contract** is a contract in which the contractor is called on to play an advisory role, to manage or supervise a project or to provide the consultants specified in the contract. **Freight contracts** are contracts covering transport of goods from one site to another.

## Running

**Costs:** Often there are doubts of what is considered running costs: goods, procurement of gasoline, office consumables (whenever each purchase is

below USD 500), are considered running costs. Services, maintenance of vehicles and motorbikes are also considered running costs.

<b>Value of contract:</b>	<b>Use this method (Described in the following sections)</b>
Up to USD 1200 and in exceptional cases	Single quote
USD 1200-5,000	Negotiated procedure
Above USD 5001	Local Open Tender
Above USD 100	Restricted open tender

### **Single quote**

In the special cases described below contracts up to 1200 USD can be awarded by using the single quote method - this method is discouraged and where it is necessary to use, it shall be restricted to and reserved for:

Urgent operations - orders can be placed, irrespective of to the value of the contracts in question, on the basis of a single quote. **IMPORTANT** – If more restrictive procurement procedures are stipulated by a donor for urgent operations, then they shall prevail.

- ✚ Urgent humanitarian aid operations are those intended to meet immediate and unforeseeable humanitarian requirements generated by sudden natural or man-made disasters, such as floods, earthquakes and outbreaks of fighting or comparable situations.
- ✚ The concept of urgency also includes any situation, duly justified, in which the implementation of the humanitarian aid operation has to start immediately and the delay incurred by putting procurement contracts out to tender would put lives at risk.
- ✚ The concept of urgency cannot be based on circumstances that can be attributed to the Contracting Authority.

After disseminating of RFQ, the purchase order is made and the delivery note is signed by the receiver.

Or after receipt of the supplier's written offer a purchase order shall be issued by the Procurement/log Officer and approved by the Programme Manager or authorized person. Signing the contract creates a legally binding document for both parties.

### **Negotiated procedure (USD 1200-5,000)**

This method involves collection of at least 3 quotations from different suppliers.

The negotiated procedure is more formal than the single quote procedure and requires that 3 suppliers are invited simultaneously in writing to submit a quotation. However, the procedure is less formal than an open tender procedure and gives the opportunity to negotiate the terms of the contract. After the suppliers response the bid analysis is prepared to figure out the most suitable, reliable and cost effective supplier.

## **Local open tender (Above 5001 USD)**

**Local open tender:** This method is more elaborate than the negotiated procedure. It is applicable to higher value purchases and requires more experience.

This method requires advertisement of supplies and/or services needed, giving some time to all prospective tenderers to quote their prices in sealed envelopes and submit their tenders, opening of the tenders in the presence committee, comparing the services offered and costs, selection of a successful tenderer and award or signing of a formal contract. In this process 3 quotations must be received from three different suppliers. And the following things must be considered while processing this method:

### **Specifications:**

The biggest challenge when drafting a tender dossier is to give the correct technical requirements which will ensure that the correct items are being offered and supplied. When drafting a tender dossier, the technical specifications are by far the most time consuming and the most important.

### **Award Criteria:**

The award criteria for supply contract shall be awarded to the lowest compliant tender, i.e. the supplier who is substantially responsive to the tender dossier and technically compliant, and who has offered the lowest price, provided further that the tenderer has demonstrated the capability and resources to carry out the contract effectively.

### **Timeframe:**

When are the goods required at final site?

### **Donor Requirements:**

Take notice of specific donor requirements – such as requirements procurement method etc.

Tenders received after deadline shall be rejected at the tender opening

Prepare the contract in accordance with the draft in the tender dossier and forward a Letter of Acceptance to the selected tenderer.

Before submitting and signing the purchase contract, the Procurement Committee must ensure

 That the contract draft is prepared carefully and that all annexes are attached

**Restricted open tender:** it is only processed when the medicines are purchased and it only goes to those suppliers who have are very reliable and have strong technical capacity and reputation throughout the region. The process is similar as local open tender.