

**SOP Document Tracker**

1	SOP No.	S00020	
2	Doc. ID*	S00020ADMIN PROCUREMENT POLICY	
3	Title	Procurement Policy	
4	E-file name	E:\Pnp Documents\Sops Of Pnp\Policies\Sop 20 Procurement Policy.Docx	
5	Date of Issue	1/04/2019	
6	Date of Expiry	Until notified	
7	Dates Previous 2 Versions		
8	Date of withdrawal		
9	Holder Name and Designation	Ms. Madhuri, Manager – Finance	
10	Authorized Issuer	Mr. Manab Chakraborty, Chief Executive Officer	
11	Signature of the issuer		
12	Place and Date of Signature	Place: Hyderabad	Date: 1/04/2019

PS: \*This document replaces all previous versions, if any.

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## Procurement Policy

### Definition:

Procurement is the purchase of works, assets, goods and services for the organisation. Procurement is one of the most risky areas in NGO financial management, often abused by kick backs, paying too much for sub-standard goods, and buying from related parties.

## 1 OBJECTIVES OF A PROCUREMENT POLICY

A good procurement process ensures that:

- The correct goods or services are purchased, in terms of the correct quality and specification
- Best value for money is achieved
- The process is safe, ie risk of fraud is minimised
- The process is fast enough to meet programme needs
- Grant conditions are complied with

### 1.1 Purpose

- To streamline procurement activity of capital assets coming under the purview of Administration as well as day to day office supplies and Contract Services
- To process vendor payments with minimum delay
- To provide guidelines for vendor evaluation, selection, negotiation etc.

### 1.2 Procurement Process and guidelines

All goods and services which are availed by Partners in Prosperity have to go through the process of procurement. This is a mandatory in order to ensure transparency and maintain quality standards. The Procurement Guidelines sets out the policies, principles and standards that ICSD requires its staff and other collaborators to adhere to when undertaking the procurement of goods, works or services needed. These general principles and processes are applicable to all types of procurement related to purchase of goods, works and services. The term 'Vendor' shall also mean 'Supplier', 'Contractor' or 'Service Provider'.

#### 1.2.1 Guidelines

The simple guidelines to be followed for procurement are given below:

- An initial assessment on the necessity should be made and sent by the concerned employee for approval from CEO. Full justification including cost implications of purchase and suggested sources of purchase.
- Technical specifications, drawing, literature, if any, whether new asset will replace earlier one. If yes, what is to be done with the earlier asset?
- The final approving authority for disposing or scrapping of the asset is the CEO.

#### 1.2.2 General conditions of the Procurement of goods and services

Goods and services are to be awarded on the basis of competition. Practices which restrict competition, and unfair practices, must not be encouraged. No vendor/partner may be

discriminated against in the awarding of services. It is the responsibility of the procurement committee to award services to expert, competent and reliable contenders at competitive and transparent prices.

A proper documentation should be assured for both processes, decisions (record of allocation), and any reasoning in connection with procurement processes, as well as for the tracing of the supply and the whereabouts of goods, and the payment.

- If the value of the goods/services are below Rs.5000 it can be **purchased without any quotation.**
- **If the value of the goods/services are more than Rs. 5,001/-**, Minimum three quotations, comparative bid analysis and procurement committee's recommendation may be recorded.

### 1.3 Classification of purchases and the approval authority

Procurement includes Capital goods ranging from items such as vehicles, office equipment like computers, furniture, air conditioners, fixtures and all services and consultancies to be hired. However, other assets could be procured from local stations, but with the approval of the CEO. All assets procured should be in the name of the ICSD only.

A Purchase Order should be raised on selected vendor after approval. The Purchase Order should have the technical specifications, quantity, delivery period, payment terms, warranty period etc.,

Purchase Orders are not required for services such as the following:

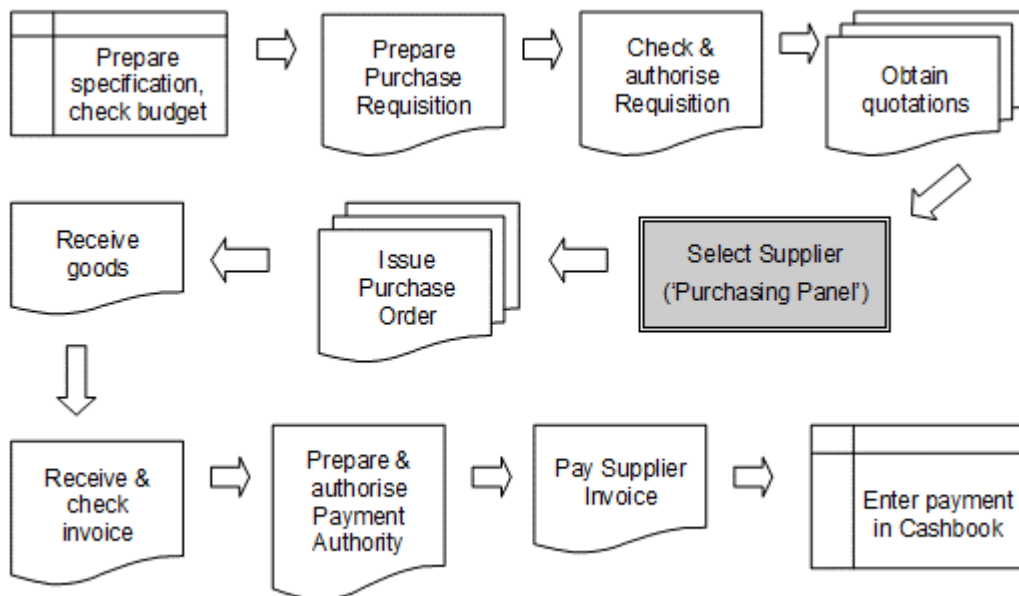
- Newspapers
- Milk and provisions
- Participation in meetings and seminars
- Professional services and certain payments covering fees, medical examination bills, utility bills and porter hires.
- Telephone bills
- Electricity
- Postage

This is applicable for all project locations and offices as well.

The steps to go through for a particular purchase depend very much on the type of purchase:

- One off (eg consultancy service) or repeat (eg office stationery)
- Low, medium or high value
- Budgeted or not budgeted
- Subject to grant conditions or not
- Fixed asset or consumable
- Routine or emergency

The figure below describes a typical process for the purchase of a high value item on credit.



The value of the contract must be calculated incl. taxes and for the total duration and complete execution of the project. Unless requested otherwise by the donor, the contracts and applicable award procedures shall be assessed individually within the scope of the individual project only.

Kind of procurement	Value	Condition of procurement
"Free decision " <b>"On the spot purchase"</b>	Up to 5,000 incl. tax	<ul style="list-style-type: none"> <li>Buying at a supplier</li> <li>without competition</li> </ul>
Tender without competition <b>"Awarding without tendering"</b>	Up to 49,999 incl. tax	<ul style="list-style-type: none"> <li>Without competition</li> <li>determination of price has to be documented</li> </ul>
Tender with competition <b>"Competitive tendering/Quotations"</b>	50,000 and above	<ul style="list-style-type: none"> <li>Request for quotation (RFQ) in written</li> <li>Minimum three quotations</li> <li>Comparative bid analysis</li> <li>Tender protocol signed by 2nd person</li> <li>Written order</li> </ul>

#### 1.4 Recurring items

Minor items like consumables, computer media, internet cards, office stationery, electrical items like bulbs, tube lights, emergency repairs etc., can be procured from respective project

locations. Prior approval of the concerned Programme Coordinator needs to be obtained for any such purchase.

### 1.5 Contract Services

Housekeeping, catering, security, repairs and electrical maintenance or any other general maintenance can be hired locally as per the project requirement, within the approved budget and on approval of the concerned Programme Coordinator.

## 2 COMMITTEES/PERSONNEL INVOLVED IN PROCUREMENT

- **Governing Body**

The Governing Body would normally only get involved with authorising high value purchases, or significant items that were not budgeted for.

- **Procurement Committee / Purchasing Committee**

The purchase committee usually consists of representatives from the programme and finance/admin departments. They select suppliers from the authorised/empanelled supplier list for standard and repeat purchases. They also review individual purchases, choosing the best option from the quotes supplied to them.

- **User**

The 'user' is the person need of the goods or services and makes a request for purchase/service. This could be a field officer, project coordinator or manager.

- **Procurement / Admin Manager**

The procurement or Admin Manager may be responsible for sourcing suppliers and obtaining quotes or advertising bids for large procurements. Also the Admin manager on behalf of the procurement committee is responsible for physically inspecting the goods / items before placing the purchase order.

### 2.1 Standard documents (internally generated)

- Purchase requisition
- Purchase committee minutes – Comparative statement, justification and approval
- Purchase Order
- Goods Received Notes/ Installation notes
- Payment Voucher
- Record in Books

### 2.2 Source Documents (from suppliers)

- At least three Quotations
- Proforma invoices
- Proposals and contracts (e.g. for consultancy services)
- Invoices
- Goods Delivery notes
- Receipts

### 3 GENERAL PROCUREMENT GUIDELINES

- a) Goods and services are to be awarded on the basis of competition. Practices which restrict competition, and unfair practices, must not be tolerated. No company may be discriminated against in the awarding of services. It is the organisation's responsibility to award services to expert, competent and reliable contenders at reasonable and transparent prices.
- b) A proper documentation should be prepared for both processes, decisions (record of allocation), and any reasoning in connection with procurement processes, as well as for the tracing of the supply and the whereabouts of goods, and the payment.
- c) The awarding of contracts is only possible if the corresponding funds are contained in the project budget. Prior approval of additional funds is required in the case of unplanned expenses.
- d) It is not permitted to split an order relating to the same matter so as to go below the maximum limits set out in this Procurement Guidelines
- e) Transactions involving or entering into obligations similar to borrowing are not permitted.
- f) Only authorized procurement staff which is responsible for ensuring that all tendering parties receive the same level of information is authorized to provide relevant information. In case of open public tender, all tendering parties are to be informed when and where the public bid opening will take place.
- g) All other employees of the organisation must refrain from supplying information to bidders and other third parties, or from exercising any influence on the commissioning department.
- h) If an employee is offered or promised personal favours or benefits the employee must observe the Code of Conduct and inform the management without delay.
- i) Contracts are to be signed by two authorised persons if the value is over 49,999. The Record of awarding is to be filed with the corresponding documents (comparison bid analysis).
- j) Minor repair and maintenance works of which a final value cannot reasonably be proposed or offered and which predominantly cause wage expenses may be allocated on a discretionary basis at hourly rates after enquiries (and agreement) have been made as to hourly wage rates.
- k) In order to ensure objective contractor performance and eliminate unfair competitive advantage, the organisation's programme staff shall be excluded from competing in procurement processes related to the projects in which they are involved.

#### 3.1 Discretionary Allocation

A discretionary allocation is the allocation of a contract when the allocation procedures as indicated above have not been completely implemented. In certain circumstances discretionary allocation may take place even in the case of high values of goods (e.g. in the case of emergency aid and where speed is of the essence), if necessary also dispensing with formal regulations. When the contract value exceeds INR 49,999 and above the

reasoning why a discretionary allocation is to be used must be comprehensively elaborated and documented, and subsequently be confirmed in terms of content. Application of a less strict procedure in the cases mentioned below or in any other non-standard situation is considered as a discretionary awarding and must be described, justified, **approved by the CEO.**

### 3.2 PROCUREMENT ACTIONS

All procurement activities must be fully and transparently documented. This is the only means that the organisation has managing its procurement process and demonstrating to its donors / clients that funds are being responsibly committed.

## 4 PROCUREMENT / TENDERING PROCESS GUIDELINES

**The following are some of the guidelines to be followed in case tendering process is taken up by the organisation**

### 4.1 Procurement Plan

Sound and efficient planning of procurement is crucial for the successful outcome of a project. As part of the preparation of the project the respective programme head / officer shall prepare and, before first fund transfer, provide a procurement plan to the CEO/procurement committee for approval. The procurement plan provides an overview of what is intended to purchase, the estimated costs of each purchase and the procedure that is intended to follow for awarding these contracts, ensuring that the selected procurement scenario is appropriate.

### 4.2 Contracting for Services

Contracting for services requires clear terms of reference and active oversight by the requestor following the award of contract.

Terms of Reference (TOR) are prepared by the requestor and should clearly state the nature, timeliness, and measures of performance required of the contractor. TOR may include standards for accomplishing work.

An estimate of the cost for the services to be acquired should be prepared by the project manager. Sources for the estimate include amounts paid for previous contracts under competitive conditions, and market surveys. A realistic, reasonable estimate provides a baseline to permit analysis of proposed prices and determination of reasonableness.

### 4.3 Guidelines for floating Tenders

All tenders published are to be agreed in good time in the run-up to the procurement process with the procurement staff so as to establish the type and scope of the tender as well as the participating parties and the scheduling of the tender.

Bidders are to be requested to submit bids as follows: (these rules are to be clearly indicated in the tender documents)

- a. in a sealed envelope
- b. by email (only official email of the organisation)

The procurement committee must guarantee the neutrality and confidentiality of the bids obtained. It must be ensured that no technical or financial information from any bidder is



shared with any other bidder prior to the end of the bid deposition period or the public opening.

The tender documents are the focal point in the tendering process and shall furnish all information necessary to prepare a responsive tender for the goods and works to be provided. While the detail and complexity of these documents may vary with the size and nature of the tender package and contract, they generally should include:

- Invitation to Tender;
- Instructions to Tenderers, incl. the place and the deadline for submission of the documents;
- General and Special Conditions of Contract;
- Technical Specifications;
- Schedule of Requirements;
- Tender Form; Contract Form;
- Appendices.

Tender documents shall be drafted so as to permit and encourage the widest possible competition. They shall clearly define the scope of works, goods and associated services to be supplied, the rights and obligations of the purchaser and of suppliers and contractors, and the conditions to be met in order for a tender to be declared substantially responsive, and they shall set out fair and non-discriminatory criteria for selecting the winning tender.

#### 4.4 Opening of the bids in tendering processes

##### **General**

After expiry of the bid deposit deadline, the bids are reviewed and evaluated by the Procurement Committee. Each individual page of the bid is to be initialled and dated in the top right-hand corner by the people taking part in the opening of the bids.

Prior to the detailed evaluation, the PC will examine each tender to determine whether it is complete, the documents are properly signed, it is substantially responsive to the tender documents and any computational errors have been made. The following should be documented in an opening protocol:

- Name of the firm, bid number
- Meet the requirements for valid receipt specified in the solicitation documents;
- Have been properly signed by an authorised person
- Overall price
- Any other relevant information

The summary of tenders received is then annexed to the tender opening protocol. Any tenders received after the deadline but before the tender opening session cannot be accepted into the next stage of tender evaluation. If late arrival occurs, this is clearly documented in the protocol.

If justified by exceptional circumstances, an extension of validity should be announced in writing to all bidders at the same time and before the expiration date. Corrections, amendments or supplements to bids may only be considered if they arrive by the deadline and in due form as described above.

#### 4.5 Evaluation of the bids

The commercial/ technical evaluation of the bids is undertaken and documented by the procurement committee. The PC draws up and signs a comparative bid analysis and a Tender Evaluation Protocol. The allocation decision must emerge from the tender evaluation protocol in an understandable manner by means of a direct comparison of the bids.

Information that should be contained in the tender evaluation protocol:

- the member of the PC,
- the contract which is the subject to the evaluation process,
- the recommendation of the PC,
- the name of both the proposed tenderer as well as those tenderers who have been unsuccessful,
- the report should summarize in a clear way the activities carried out by the PC during the process of evaluation of tenders,
- provide a clear and detailed analysis of those activities,

There should be a clear justification for any recommendation made. The evaluation report must have attached to it all of the documentation drawn up by the PC during the performance of its tasks.

In the case of co-financed procurements, subsequent negotiations are guided by the respective rules of the donor. Price negotiations are prohibited in all cases. The reasons for subsequent negotiations must be documented.

#### 4.6 Results of the tender

The results of the tender are to be treated confidentially even after the contract has been awarded. Tenderers must be formally informed about the result of the evaluation process. The way of informing about the result must be stated in the Tender Notice (e.g. by a letter, published according to the type of the tender). The company which is not successful does not automatically receive a written Letter of Regret. The reasoning behind the rejection of a bid or the non-allocation of the contract to a certain bidder, can only be requested by the concerned bidder in writing, and will be replied to in writing.

The reasons for the rejection may be clarified in a general manner (price, quality, delays, references, etc.), but normally it is not permitted to state the bid price of the party which has been awarded the contract.

#### 4.7 Public Open Tender

Tender documents solicited under Public Open Tendering procedures for goods and works shall be received and opened under procedures and conditions guaranteeing the regularity of the opening as well as the availability of information from the opening. At the time and place stated in the tender documents, the PC will open all tenders that have been received before the deadline for submission of tenders. Bidders should be invited to attend the tender opening session and tenders shall be opened in the presence of the tenderers or their representatives that choose to attend. During the tender opening session, all bids are removed from the 'secure tender box/safe'. The name of the bidder and the total price of each tender lot (or the total price of the bid if not divided in lots) shall be read aloud and

recorded in the minutes when opened. The tender opening process should be recorded and any actions taken should be included in that report.

#### 4.8 Signature rules

A proper awarding decision is a precondition for allocating a contract to an external supplier. For a contract value of 50,000 and more, a minimum of two signatures of accordingly authorized employees of the partner organization are always required.

## 5 CONTRACT AWARD PROCESSING

### 5.1 Contract award

Once the award approval has been given, the contracting authority notifies the successful tenderer in writing that its tender has been accepted for the contract award.

### 5.2 Purchase Orders (PO)

Purchase Orders should be utilized whenever possible to establish contractual obligations. The basic data in a Purchase Order or Service Contract are:

- a unique contract number and date;
- reference number of the relevant tender or quotation request
- supplier's address, contact person and phone number; supplier reference number;
- consignee and, if different, delivery address;
- delivery terms and conditions
- mode of shipment and transshipment point (via); delivery date; cash terms
- complete description of goods or services;
- quantity, unit of measure, unit price and total for each item;
- total order value; donor clauses (including specific donor clauses, such as antiterrorism clauses);
- suspension/termination clauses in the event that the supplier does not deliver the goods or services in accordance with the terms of the agreement; and  
Authorized signature

The purchase order must be authorized and indicate a reference number and should be signed by the supplier. It is important to get the confirmation of acceptance of the purchase order or awarding letter from the supplier, either by signature on the purchase order/awarding letter or by other means (fax, email which should be attached to the purchase order/awarding letter). Alternatively, an order confirmation with the same specifications is also acceptable.

After the apparent lowest bidder for competitive bids has been determined, and approval has been received to award the contract, a formal contract incorporating the terms described in the tender may be sent to the successful bidder for execution (sign and return).

### 5.3 Delivery documents

The supplier should send an invoice indicating the contract number along with the delivery documents.

Purchase Orders and Service Contracts should be issued according to a numerical sequence of reference numbers. A record of these documents should be maintained. This record should contain, as a minimum:

- Contract number, in sequence, and date;
- Supplier's name;
- Short item description;
- Total order value;
- Tender reference;
- Partner reference.

Partner staff or an independent surveyor must verify the quality and quantity when the goods are delivered and unloaded. A Goods Received Note (GRN) quoting actual quantities & quality must be issued on the spot and signed by both: the supplier's representative/driver and the Partners staff. In case of delivery of aid commodities destined for distribution an additional unloading protocol should be issued.

The supplier needs these documents to receive payment. The PC is responsible for the proper processing of the order. When required the latter initiates a check of the execution of the contractual obligations. The correct execution of the contract is to be documented for example through:

- A signed delivery note acknowledging reception
- acceptance note/ acceptance certificate
- GRN or email from the consignee (in the project area) confirming correct arrival
- of goods there or correct execution of the services.

If the delivery/service has not been done completely or incorrect the further steps have to be inspected by an authorized member of the PC, possible actions are the withholding of penalty amounts from the final invoice, compensation of damages, etc. The original invoice shall be given to administration staff for payment, together with copies of relevant procurement documents.

One copy of the invoice, together with the originals of the relevant procurement documents shall be kept with logistics/procurement staff for audits.

#### 5.4 Signing of invoices

The procurement committee forwards the invoice including all relevant documents (contract, minutes, analysis, etc.) to the Finance department. Payments are generally made only after delivery of goods / completion of the contract. Part payments are possible but not preferred. There is strong advice against advance payments prior to the execution of the contract. But in case this is required, this needs to be justified in a detailed and written manner. Prior to payment, invoices are signed as "Factually correct" or "approved by" by the project manager. By signing "Factually correct" or "approved by", the signatory confirms on the invoice, that payment is due in respect of the incurred obligations. To this extent, the corresponding checking of the facts is a necessary precondition for the signing as "Factually correct" or "approved by". In the case of incorrect/ incomplete execution of the contract, the subsequent course of action should be checked by the project manager (penalty fees on outstanding invoices, reduction of the invoice amount, checking compensation possibilities etc.).

Invoices must contain at least the following information:

- Name and address of the issuing entity
- Location, date, unique invoice number
- Provided services/supplies/works/...
- Quantities and unit prices
- Invoiced amount with currency and if applicable taxes
- Bank and payment details
- Contract number, in sequence, and date;
- Short item description;

Incorrectly drawn up invoices are to be returned to the issuer. Invoices are to be marked with "Original" when they were obtained per fax or per email.