



Procurement Policy

Templates

These templates comprise basic procurement policies and guidelines for a growing organisation. They are intended to help build a stable foundation for the organisation.

They need to be customised according to local context. If adopted, they should be understood and followed by all staff and volunteers.

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Edition 1

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Procurement and Logistics Policy



Overview

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(1) Responsibility

The Procurement Department is responsible for the final decision on determining the right suppliers, price and delivery schedule, based on the requisition request submitted by the requestor. The Procurement Department must have on record a sufficiently wide range of suppliers in order to provide adequate competitive bids and to make sure that adequate measures have been taken to safeguard the vendor confidentiality. They maintain a "Database of qualified vendors" that meet objectively justifiable minimum requirements. Vendors requesting an opportunity to submit an offer/proposal should be given the opportunity to do so, unless there is evidence that the firm cannot realistically provide the required goods/services.

The requestor may recommend a source, but the selection of vendors to be solicited is solely in the responsibility of Procurement. All visiting vendor representatives should be directed to Procurement.

In order to sustain a good and transparent relationship to the vendors listed in the "Database of qualified vendors", the following basic criteria should be observed when dealing with vendors and their representatives:

- Provide equal opportunity for vendors to make quotations

- Encourage vendors to test and develop improved products and services
- Keep vendors informed of current and anticipated requirements
- If, for any reason, one vendor is allowed to re-quote, all competitors should be given the same opportunity. Re-quoting must be absolutely exceptional.

Procurement should act in a fair way, on the basis of ethical and legal trade practices. Procurement should communicate promptly and politely and in an atmosphere of good faith and equal treatment and without intentional misrepresentation. Quotations will be kept confidential.

(2) Procurement Plan

Logistics is responsible for developing the procurement plan in order to have supplies of goods and services with the right price, quality and delivery times. For each planned procurement the following is detailed:

- Requestor
- Item, including technical details
- Required delivery date
- Budgeted amount

(3) Requisition, Procurement Criteria and the Procurement Procedures

Competitive bidding is employed in all procurement activities. This ensures transparency and the best price. Depending on the value of the goods or services to be purchased, the quotation process is different. The value ranges are specified in the "Procurement Rules and Values" below:

Value of items		Requisition Required?	Quotation Process	Focal Person	Lead time
from	up to				
- X	70Y	no	No RFQ	any Staff Member	
71X	1,000Y	yes	Single Quotation	Logistics	
1,001X	10,000Y	yes	3 or more Quotations	Logistics	
10,001X	100,000Y	yes	Tender Process, "Closed Tender"	Logistics	
above	100,000Y	yes	Tender Process, "Open Tender"	Logistics	

In cases of emergency, the Director is allowed to overrule the required process, only by submitting the form "Justification for lack of competition".

Purchase of goods of small value does not require a requisition process. Each Staff Member requesting the purchase of such goods proceeds with the purchase in accordance with the Line Manager.

According to the procurement rules and values, the following quotation processes are differentiated:

- a) **Single quotation:** The Logistics Officer selects one supplier and asks for a quotation. The form Request for Quotation (RFQ) shall be used.
- b) **Three or more quotations:** The Logistics Officer selects three or more suppliers and asks for quotations. The form, Request for Quotation" (RFQ) shall be used.
- c) **Closed tender:** Only selected known vendors are invited to submit a tender for a requested good or service. The closed tender process requires the documentation in the form Invitation to Tender. An announcement of the tender is given to selected suppliers, containing:
 - Description of the tender process
 - Tender application form
 - Application deadline
 - Tender opening date
 - Supplier selection date
 - Date suppliers will be informedAfter collecting the required information from the suppliers, the form Request for Proposal (RFP) shall be sent out in order to receive the proposals and quotes from the suppliers
- d) **Open tender:** New contractors are allowed to bid for a requested good or service, as well as selected suppliers. The process of tender is the same as described under Closed Tender.

As for the tender process in general, at least three suppliers shall participate. In case three suppliers cannot be identified, a re-announcement needs to be done. In case the re-announcement again does not result in at least three potential suppliers, the form Justification for Lack of Competition has to be filled in and attached to the procurement committee meeting minutes. After approval of the justification, the procurement will proceed.

The lead time for procurement, which needs to be considered by the requestor, depends on the procurement process and is listed in "Procurement Rules and Values".

The quotations and proposals must be submitted in sealed envelopes. For highly complex and specialized contracts, suppliers may be asked to submit a financial proposal and a technical proposal in separate sealed envelopes. Sealed envelopes should be marked "not to be opened before (closing date/time)" and should bear the references on the outside envelope for identification purposes.

The validity of a proposal must assure sufficient time for the logistics unit to complete the comparison and evaluation of proposals, to clarify particular aspects of the proposed contract, to obtain all necessary approvals, to award the contract and to receive back the countersigned contract from the vendor.

In general, for conditions for Purchase Orders or Service Contracts, the party in a contract relationship submitting the first draft of a proposed agreement has a definite advantage. It is therefore important to secure that the vendor accepts the PFX Logistic general terms and conditions. Copies of the proposal are required.

For high value contracts and critical projects, a performance bond should be considered. Such a performance bond should be provided by the vendor on or before the effective date of the contract.

A warranty from suppliers for the nature and price of items should normally be guaranteed against deficiencies.

The requisition process is described in the template below:

	Phases	Requisition				
	Process Steps	Request	Techn. Approval	Budget Approval	Classification of Quotation Process	Suppliers Selection
Roles	Requestor, any Staff Member	Write Requisition Request				
	Program Manager		Budget Holder, give approval as second person (4-eyes Principle)	Budget Holder, Approval in Accordance with DOA		
	Project Officer		Budget Holder, give approval as second person (4-eyes Principle)			
	Logistics Officer			Review Requisition	Depending on the value of the goods or services to be purchased, decide on one of the following Quotation Processes: a) "Single Quotation" b) "Three or more Quotations"	Identify and select eligible competitive Suppliers, as required by Quotation criteria

					c) "Close Tender" d) "Open Tender"	
	Director			Approval of Requisition in Accordance with DOA		
Documents	Requisition Form	Input	Output	Output		
	Order Tracking					Input
	Database of qualified Vendors for closed Tender					Output

(4) Principle of Local Sourcing

To support the local economy, preference is to be given to procurement of goods manufactured in the area of operation and supplies or services readily available locally in the quality required at competitive prices.

(5) Bidding, Quotation and Bid Analysis

The Criterion for placing the Purchase Order or Service Contract is:

- Lowest proposal meeting the requirements of the request

All criteria specified in the solicitation documents, such as quality, delivery time, payment terms and compatibility with existing equipment, as provided in the offers/proposals of the bidders, are evaluated in the bid analysis phase.

For the purpose of evaluation and comparison of offers, bidders should be requested to quote on the basis of identical trade terms. Bidders are required to include item unit prices and total prices, address for delivery, and cost of services.

In case of procurement of services, the requested information should be:

- Main criteria for the evaluation of proposals (to be stated in the RFP documents)
- Price versus technical evaluation scores to be indicated in percent
- All necessary background information
- Detailed description of the services to be provided (TOR = Terms of Reference) including an implementation schedule
- Payment schedule
- Request for customer references
- Request for staff references, if applicable

The solicitation documents should be sent simultaneously to all potential bidders to ensure equal treatment. In practice, vendors are generally given 10 days to 2 weeks to respond to the RFP. In cases of emergency, vendors may be required to respond in as little as 24 hours.

Any potential bidder requiring additional information should make a written request either by letter, e- mail or by fax. The reply should likewise be in writing and a copy of the reply should be sent simultaneously to all other potential bidders. Should a meeting with potential bidders prove necessary to provide the additional information, a record of the meeting should be prepared immediately and provided simultaneously without delay to the requesting potential bidder and to all other potential bidders. Prompt action must be taken in order not to compromise the deadline for the submission of bids.

An extension of the closing date/time can be granted if justified by exceptional circumstances and so requested in writing by more than one bidder. When an extension is granted, all bidders shall be informed immediately and simultaneously. A bid opening may only take place after the new deadline for the submission of bids is communicated.

Proposals should be immediately sent or brought to the person designated to receive them for recording and safekeeping. All collected proposals are opened, identified, and evaluated by the bid analysis team. Proposals received from suppliers after the deadline should not be considered.

Before the contract is approved, it is not allowed to announce the names of suppliers, or to distribute the Procurement Committee Meeting minutes.

The Quotation process is described in the template below:

	Phases	Quotation Process: 2a) "Single Quotation" or 2b) "Three or more Quotations"		
	Process Steps	Request to Suppliers	Additional Information	Quotations
	Logistics Officer	Send Request for Quotation to the Supplier/Suppliers, care for the closing date, as required by Quotation criteria	In case Information is missing: Answer in writing; Hold a meeting with Supplier, write a meeting record	Collect all Quotations in closed envelop until closing date
Documents	Request for Quotation (RFQ)	Input		
	Supplier Meeting Record		Input	
	Supplier's Quotations/Offers			Input

	Phases	Quotation Process: 2c) "Closed Tender" or 2d) "Open Tender"				
	Process Steps	Invitation to Closed Tender	Invitation to Open Tender (optional)	Request to Suppliers	Additional Information	Quotations
Roles	Logistics Officer	Send the Bid Announcement to known suppliers. After feedback from the suppliers, select the potential suppliers and send the Invitation to Bid (4 - 6 or more suppliers) to the Suppliers, consider the time plan as required by Quotation criteria	Send the Bid Announcement to new and known suppliers. After feedback from the suppliers, select the potential suppliers and send the Invitation to Bid (4 - 6 or more suppliers) to the Suppliers, consider the time plan as required by Quotation criteria	Send Request for Proposal to the selected Suppliers, care for the closing date, as required by Quotation criteria	In case Information is missing: Answer in writing; Hold a meeting with Supplier, write a meeting record	Collect all Quotations in closed envelope until closing date
Documents	Invitation to Tender	Input	Input			
	Request for Proposal (RFP)			Input		
	Supplier Meeting Record				Output	
	Supplier's Quotations/Offers					Input

The Bid Analysis process is described in the template below:

	Phases	Bid Analysis
	Process Steps	Analysis
Roles	Logistics Officer	Comparison and evaluation of proposals, select one proposal from bidder, based on defined criteria
	Deputy Director	Review and sign
Documents	Summary of Bids Form, Analysis	Input
	Justification for lack of competition	Input

(6) Purchase Order

The procurement committee should have all supporting documents and a written statement of all relevant factors leading to the final recommendation for the award of the contract. If the lowest priced proposal is not recommended, the procurement report must give the specific reasons for recommending the selection of a higher priced proposal. After selecting the final successful vendors, Procurement or a delegated person will prepare the contract or purchase order for procurement. Contracts or Purchase Orders should be developed for contractual obligations. The basic data in a Purchase Order or Service Contract are as follow:

- Purchase order number or contract number
- Purchase order date
- Supplier address, contact number Quantity, Unit, Code, Description, Full budget code, Unit price and Total price
- Name, signature and contact number of purchasing officer
- Name, signature and contact number of Supplier Acknowledgement
- Supplier's address, contact person and phone number
- Supplier reference number
- Ship address, contact number
- Delivery date
- Delivery terms, Payment terms
- Item number
- Detail description of goods or services
- Quantity, unit of measure, unit price and total for each item
- Authorized signature
- 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 shall contain, as a minimum: Contract number, in sequence, and date; Supplier's name; Short item description
- Total order value; and Requisition reference
- For audit purposes, all documents must be kept for a period of five years. Documents should be filed by contract number.

The Purchase Order process is described in the template below:

	Phases	Purchase Order		
	Process Steps	Procurement Committee Meeting	Supplier Decision	Purchase Order
Roles	Requestor, any Staff Member	join to the procurement committee		
	Program Manager	As Member of Procurement Committee, Select the final successful vendor	Decide Supplier in the Procurement Committee	sign Purchase Order, same as on the requisition form
	Finance Officer	As Member of Procurement Committee, Select the final successful vendor	Decide Supplier in the Procurement Committee	
	Logistics Officer	Present Bids Analysis to Procurement Committee		sign Purchase Order
	Director	As Member of Procurement Committee, Select the final successful vendor	Decide Supplier in the Procurement Committee	sign Purchase Order, same as on the requisition form
Documents	Summary of Bids Form, Analysis	Input	Input	
	Justification for lack of competition	Input	Input	
	Award Letter to the selected supplier		Input	
	Regret Letter to the non-selected suppliers		Input	
	Purchase Order or Contract			Output
	Order Tracking	Input		Input

(7) Transportation

Transportation arrangements must be included in the contract. The supplier or transporter has to take responsibility for goods and services reaching the targeted place without damages and losses. The freight transporter has to comply to the agreement of transporting process by using the following documents or forms:

- Waybill (Original and one copy)
- Commercial invoice (if required)
- Packing list (if required)

The Transportation process is described in the template below:

	Phases	Transportation	
	Process Steps	Transportation Plan	Transportation Requirements
Roles	Logistics Officer	Make sure the Transportation arrangement plan is part of the contract.	Make sure the freight transporter will comply as agreed in Waybill, sign Waybill
Documents	Goods Received Note		
	Vendor Invoice		
	Expense Report/Project Expense Ledger		
	Receipt from supplier		
Documents	Waybill		Input

(8) Goods received

When the goods or services are received, it has to be checked against the specified requirements. Defects, insufficient amounts or quality have to be reported to the supplier within the agreed terms. The supplier has to compensate or settle any deviations.

After completion of the delivery and closing of the contract, Procurement will fill out the Goods Received Note (GRN), which is part of the documentation necessary for the payment to the supplier. The Requestor has to sign the Goods Received Note.

The process of Goods Received is described in the template below:

	Phases	Goods Received	
	Process Steps	Receival	Deviations
Roles	Requestor, any Staff Member	sign Goods Received Note	
	Logistics Officer	When receiving the ordered goods, fill in the Goods Received Note and note in Order Tracking	In case of any deviations from the order specification or contract, note the deviation in Database of Qualified Vendors
Documents	Goods Received Note	Input	
	Vendor Invoice		
	Expense Report/Project Expense Ledger		
	Receipt from supplier		

	Waybill		
	Order Tracking		
	Database of qualified Vendors for closed Tender		Input

(9) Termination

Where any Party is in breach of any provision of the contract and remains in breach for a period of ten calendar days (10 days), after written notice of the said breach, then the other Party shall be entitled to terminate this contract at no cost.

In addition, PF reserves the right to demand cancellation by written notice in the following cases:

- Supplier ceases the activity
- Supplier is in process of correction an irregular situation
- Supplier is in compulsory liquidation
- Supplier becomes subject to a bankruptcy proceeding

Any notice shall be submitted to the other party by a method authorizing a proof of delivery (Acknowledgement of receipt, delivery in person upon signature). In case of breach by the Supplier of any clause of this contract, PFX is free to engage or continue with any other Contractor, all costs arising shall be payable by the initial Supplier. In case of breach of Contract due to Supplier's failure, PFX will pay the value for the already delivered and accepted items, after deduction of the advance payments. Additional liquidated damages shall not apply. If the total amount due by PFX is less than the amounts already paid as down payments, the difference shall be a debt payable by the Supplier to PFX.

The Termination process is described in the template below:

	Phases	Termination	
	Process Steps	Contract Breach	Documentation
Roles	Logistics Officer	In case of breach of any provision of this contract, the contract will be terminated, notice in written, care for the cost balance	In case of contract breach, note the deviation in Database of Qualified Vendors
Documents	Database of qualified Vendors for closed Tender		Input

(10) Invoicing and Payment

The supplier will issue an original invoice for each delivery and address it to the PFX entity which issued the contract or purchase order at the very latest seven days after the delivery. The invoice shall not relate to more than one contract or order and shall bear the order number or Contract reference, batch numbers, designation, the numbers and dates of the delivery forms concerned. The rules and procedures applicable by the supplier with regard

to the tax regime relative to the order are specified in the order; in the absence of this specification, the supplier is supposed to know and apply them.

It is important that the Procurement achieves a high level of trustworthiness in this area of vendor relations, since quick payment regarding with contract terms is the key aspect of the relationships between the organization and vendors.

The following details on the vendors' invoice form have to be assessed by Procurement:

- Detail description
- Quantity
- Total prices
- Name, position from vendor
- Signature from vendor

On the other hand, the Finance Team has to assess the detail information given on:

- Payment vouchers
- Requisition form
- Quotation Forms
- Bid review report
- Contract or Purchase order, Goods Received Note

The Finance Team prepares, confirms and approves the invoice for submission to the Accounts Payable Unit. Only the amount stated on this certificate, exclusive of discounts like Cash discounts and lost discounts will be paid.

Between the Finance Team and vendors, there are two kinds of payment are used in Finance Team:

- Bank transfer directly from the PFX account by which the Finance Team also has control throughout the payment process. Bank Transfers are accomplished by forwarding a letter to the bank, which should include the name and number of the account to be debited, amount and currency of transfer, purpose of transfer (contract reference, invoice number), bank name and address, beneficiary name in full, beneficiary account number and authorization signatories.
- Cash transfer straight to the vendor from the PFX Finance Team.

The process for Invoicing and Payment is described in the template below:

	Phases	Invoicing and Payment				
	Process Steps	Invoices	Prepare Payment	Verify and Check	Approval	Payment
Roles	Accountant			Verify and check the invoice		
	Cashier					Proceed payment
	Program Manager				Approval in accordance to the requisition form, Budget Holder	
	Logistics Officer	Receive separate invoices per each order, check the invoice from Supplier to be according the required criteria	Prepare, confirm and approve the invoice for submission to the Accounts Payable Unit			make sure receipt is received
Documents	Vendor Invoice	Input				
	Expense Report/Project Expense Ledger					Input
	Receipt from supplier					Input