

Procurement Policies and Procedures

Contents

1. Introduction.....		2
2. Why a procurement policy?.....		2
3. General Principles.....		2
4. Procurement Responsibilities		4
4.1. Procurement Committee.....		5
The purpose of a Procurement Committee		5
Evaluation Committee applicable for open tenders for all type of programmes.....		6
5. Overall procurement process		6
Cost and price analysis		7
7. Procurement records		7
9. Competition		8
10. Procurement Instruments		9
11. Types of Procurement		10
12. Procurement procedures.....		11
12.1. Tendering Procedures.....		12
Acceptance of Tender.....		13
13. Procedure of Handling Complaints.....		14
14. Approval and Authorization		14
15. Contract administration.....		14

1. Introduction

The purpose of this manual is to establish policies and procedures of ACR concerning acquisition of goods and services. The policies and procedures are designed to ensure timely, efficient, and economic procurement within the guidelines of business practices. Unless stated otherwise, these policies and procedures will apply to all procurement actions irrespective of funding source and payment method. All purchases and procurements shall be reasonable and necessary (that is no unnecessary items shall be purchased).

2. Why a procurement policy?

To ensure:

- compliance with general principles
- a professional, standardised approach

A clear understanding of procurement methods is necessary to:

- Buy supplies, services and civil works for project activities within a time-period
- Get the right resources, at the right time and at the right price
- Pay for supplies, services and civil works
- Avoid delays and higher costs in project implementation.

The procurement policy shall ensure compliance with the General Principles and ensure that:

- Resources (supplies/services/works) needed to carry out the project are procured with due attention to economy and efficiency (lower cost, best quality and timely availability)
- Project funds are used to pay for resources needed
- All suppliers have an equal opportunity to compete
- Ensure that ACR DOES NOT use suppliers who cannot comply with the conventions on child labour and forced labour or who are engaged in any sale or manufacture of illegal products or components.

3. General Principles

ACR personnel shall always guarantee equal treatment of suppliers and high standards for integrity, transparency, price, performance and quality.

The following key aspects of the procurement process are common donor 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. This also means that the procurement planning process of ACR is of satisfactory status.

Effectiveness means that the supplies, services and civil works will fulfil project objectives.

Certainty of the ability of the supplier/contractor to provide the supplies and services, this has to be documented so that there is a reasonable assurance that what is promised can be provided.

ACR staff should be alert to individual or organisational conflicts of interest and/or non-competitive practices among suppliers. No procurement of supplies, services or civil works of any kind will be conducted if the supplier, to the knowledge of ACR personnel, is a member of any of ACR's employees' immediate family and has any financial interest with a ACR employee.

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:

- (a) Satisfactory quality
- (b) Timely delivery or completion
- (c) Price corresponding to market prices

Put all procurement contracts out to tender on the broadest possible base. This is without prejudice to the special procedures applicable to single quote, negotiated procedures, urgent operations, property contracts, and other equipment.

Ensure that ACR, tenderers, candidates and contractors observe the highest ethical standards during the procurement and execution of contracts.

Ensure non-exploitation of child labour and forced labour and the respect of basic social rights and working conditions by contractors.

Ensure that ACR DOES NOT use suppliers who are engaged in any sale or manufacture of illegal products or components.

Always endeavour to use local human and material resources whenever it is possible and pertinent.

4. Procurement Responsibilities

It is the responsibility of Executive Director to ensure the implementation of policies and procedures in this manual.

Specific procurement responsibilities are identified in ACR By-Laws date/month/year:

The finance manager/assistant shall receive and disperse funds in accordance with the policies determined by the board of Directors

Some or all of the duties of the finance manager/assistant may be delegated in writing to one or more of the executive staff

In accordance with this provision Executive Director has been authorized to write and sign checks drawn against the accounts of ACR, up to amount of eight ten thousand United States dollars (US\$ 8,000) per check, for the following administrative purpose:

- Payment of contractors, with whom the Board of Directors has negotiated a contract, provided that the contractors have performed the work to satisfaction of the Board.

4.1. Procurement Committee

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 (procurement procedures/rule of origin and nationality)

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 (procurement procedures/rule of origin and nationality) to ensure sufficient cash flow in the programme to pay suppliers on time in order not to cause delays.

All members of the Procurement Committee shall sign a Declaration of impartiality and confidentiality.

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.

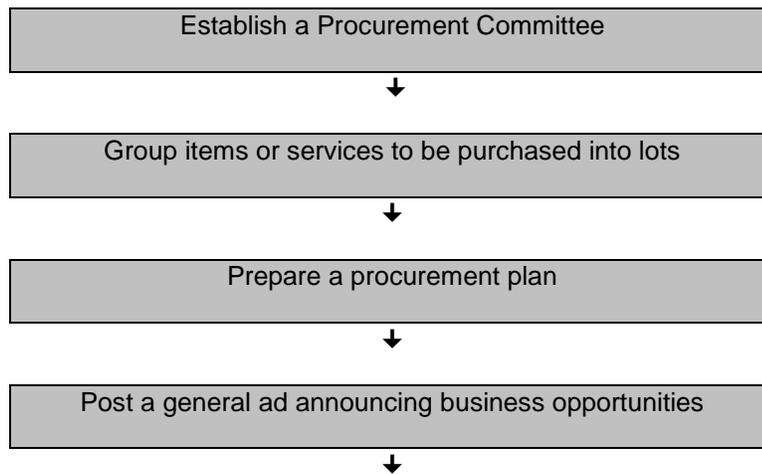
Evaluation Committee applicable for open tenders for all type of programmes

For local open tenders an Evaluation Committee is applicable. The Evaluation Committee must possess the necessary technical and administrative expertise to perform tender evaluation. If this is not possible through appointment of the members of the Procurement Committee, such expertise must be gained through internal experts or external consultants. (For the same project the Procurement Committee may use different experts for evaluation of the individual lots whether it is a service (consultancy) or supply of works contract). However, the procurement officer shall always be a member of the Evaluation Committee as the expert on the procedures.

5. Overall procurement process

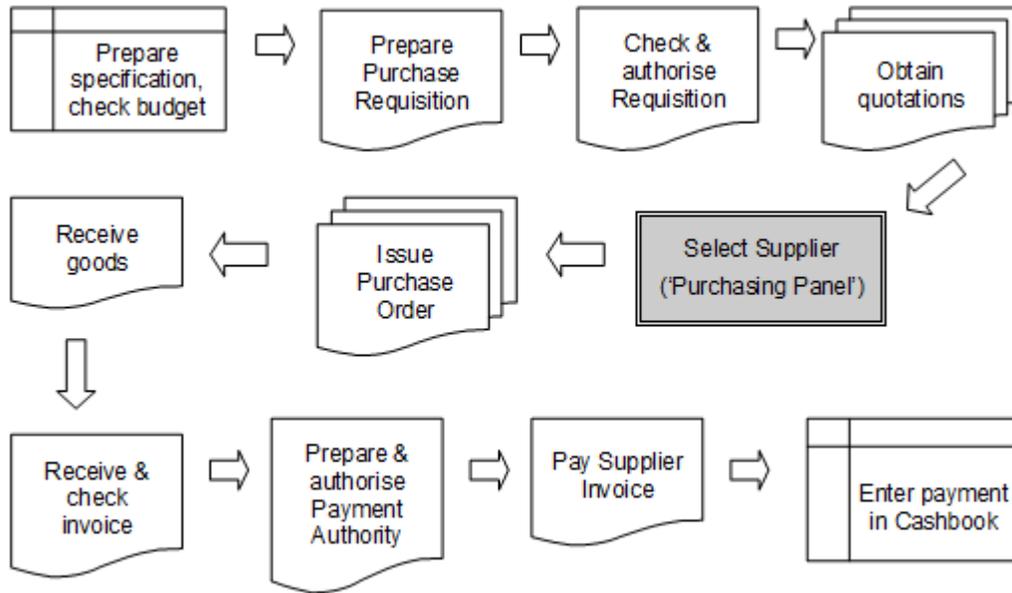
Figure 1 shows the overall procurement process.

Figure 1



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

Figure 2



Cost and price analysis

Some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action above \$500 in value. Price analysis may be accomplished in various ways, including the comparison of price quotations submitted, market prices and similar indicia, together with discounts. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability and allowability.

7. Procurement records

Procurement records and files for purchases in excess of the small purchase threshold as fixed at (currently \$2,500) shall include the following at a minimum: (a) basis for contractor selection, (b) justification for lack of competition when competitive bids or offers are not obtained, and (c) basis for award cost or price and for each procurement action, the administrative assistant shall maintain procurement file with the following information:

- Signed copy of procurement instruments (e.g purchase orders, contracts,)

- All amendments to the procurement instruments
- All purchase specifications including delivery requirements
- Cost/price analysis that was the basis for the award cost or price
- As applicable, a written justification as to why sole source or minimum competition was used
- Written explanation as to why the winning contractor was selected; and upon
- Upon completion of the contracts, written comments regarding the quality of the vendor's services and guidance and recommendations regarding potential future work

9. Competition

All procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition. ACR shall be alert to organizational conflicts of interest as well as noncompetitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, invitations for bids and/or requests for proposals shall be excluded from competing for such procurements. Awards shall be made to the bidder or offeror whose bid or offer is responsive to the solicitation and is most advantageous to ACR, price, quality and other factors considered. Solicitations shall clearly set forth all requirements that the bidder or offeror shall fulfill in order for the bid or offer to be evaluated by the ACR. Any and all bids or offers may be rejected when it is in ACR's interest to do so. In all procurement ACR shall avoid practices that are restrictive of competition. These include but are not limited to:

- (a) Placing unreasonable requirements on firms in order for them to qualify to do business,
- (b) Requiring unnecessary experience and excessive bonding,
- (c) Noncompetitive pricing practices between firms or between affiliated companies,
- (d) Noncompetitive awards to consultants that are on retainer contracts,
- (e) Organizational conflicts of interest,
- (f) Specifying only a brand name product instead of allowing an equal product to be offered and describing the performance of other relevant requirements of the procurement, and
- (g) Any arbitrary action in the procurement process.

10. Procurement Instruments

ACR uses three basic procurement instruments:

1. Purchase orders
2. Consultant Agreements
3. Project contracts

It is ACR's policy to not use the "cost-plus-a percentage-of- cost" or the "percentage of construction of cost" methods of contracting.

1. **Purchase orders.** ACR will use purchase orders to procure small quantities of office supplies and equipment. Purchases will be made from vendors offering the best value in price, support services, and delivery procedures. Purchase orders are not used for consultant services and Subcontracts, travel advance and reimbursements, monthly or periodic bills (e.g rent, telephone, utilities, equipment, leases and maintenance agreements), minor recurring expenses (e.g courier services) and items paid from petty cash. Purchase orders will be prepared by the Administrative Assistant, with the approval of Executive Director, and should clearly describe the items being purchased, estimated purchase amount, and the purpose of the purchase.
2. **Consultant Agreements.** Consultant Agreements are contracts with individuals (i.e consultants or independent contractors in business for themselves, not bona fide companies and not ACR employees) for specialized services that cannot (either because of time or skill level be performed by ACR employees .ACR will use consultant agreements when the individual is performing a specialized type of work under a contract that clearly specifies the scope of work. rate and terms of compensation, time period of performance, deliverables, and terms of agreement.
3. **Project contracts.** The project contracts are contractual relationships for project related services. ACR will use a project contract when none of other procurement instruments are appropriate and when the contract will have very specific responsibilities for a major component of ACR's award. Normally, project contract is for large dollar amounts where each party is seeking terms and conditions will protect both parties. The project contract should describe the scope of work, rate and terms of compensation, time period of

performance, deliverables, and terms of agreement. ACR's standard contract form shall generally be used in establishing project contracts (see annex x), although a simple letter contract the scope of work, rate and terms of compensation, time period of performance, deliverables, and terms of agreement, may also be used in certain cases (e.g short-term or lower cost contracts).

11. Types of Procurement

The following types of procedures should be adopted according to the amounts and nature of the procurement of goods or services:

(a) Open Tendering (applicable to procurements of value exceeding US\$ 5,000)

Notice of tender invitations should be advertised in the press for free response by all interested suppliers or contractors.

(b) Restricted or Single Tendering (applicable to all types of procurement)

This type of tendering is applicable to procurements of goods or services that can only be provided by a limited number of suppliers or suppliers who are sole agents or patented distributors. Therefore, only one or several suppliers or contractors will be invited to submit written tenders.

Sufficient justification should be made for prior approval by the authorized person before preceding the tendering exercise. The above information should be clearly recorded in the tender evaluation report for examination by the approving officer (please refer to Paragraph 16 below).

(c) General Procurement (applicable to procurements of value below US\$ 4,000)

(i) Written Quotation

After obtaining approval from the authorized person (please refer to Paragraph 16 below), written quotations should be sought from five (5) suppliers, including the successful tenderer in the last procurement exercise (whose goods or services meeting the requirements). If a list of suppliers is used, quotations should be sought from the suppliers on the list by rotation. The lowest quotation meeting the requirements should be accepted.

(ii) Verbal Quotation

To enhance administrative efficiency, verbal quotations from not less than two (2) suppliers or contractors may be used for procurement of miscellaneous item or service that costing US\$ 100

or below. The responsible officer must make a record of the verbal quotations for review and verification.

(iii) Exemption

All procurements must follow and comply with the above procedures. Only in acceptable circumstances should exemption from the above procedures be granted with special approval from the authorized person holding a higher office (please refer to Paragraph 16 below).

12. Procurement procedures.

- (a) All procurement by ACR shall comply, at a minimum, with the requirements of subsections (i), (ii), and (iii) below:
- (i) ACR should avoid purchasing unnecessary items.
 - (ii) Where appropriate, an analysis is made of lease and purchase alternatives to determine which would be the most economical and practical procurement.
 - (iii) Solicitations for goods and services provide for all of the following.
 - (A) A clear and accurate description of the technical requirements for the material, product or service to be procured. In competitive procurements, such a description shall not contain features which unduly restrict competition.
 - (B) Requirements which must be fulfilled and all other factors to be used in evaluating proposal submitted in response to solicitations.
 - (C) A description, whenever practicable, of technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards.
 - (D) When relevant, the specific features of "brand name or equal" descriptions that are to be included in responses submitted to solicitation.
 - (E) The acceptance, to the extent practicable and economically feasible, of products and services dimensioned in the metric system of measurement.
 - (F) Preference, to the extent practicable and economically feasible, for products and services that conserve natural resources and protect the environment and are energy efficient.
- (c) The type of procuring instruments used (e.g., fixed price contracts, cost reimbursable contracts, purchase orders, and incentive contracts) shall be determined by ACR but shall be appropriate for the particular procurement and for promoting the best interest of the program or

project involved. The "cost-plus-a-percentage-of- cost" or "percentage of construction cost" methods of contracting shall not be used.

(d) Contracts shall be made only with responsible contractors who possess the potential ability to perform successfully under the terms and conditions of the proposed procurement. Consideration shall be given to such matters as contractor integrity, record of past performance, financial and technical resources or accessibility to other necessary resources.

12.1. Tendering Procedures

The following summarizes the stringent tendering procedures to be followed:

Tender documents / quotations

1. Procurement officers should prepare the tender documents/quotation proforma and provide all the required information in the documents to facilitate bidding from tenderers. The information should include tender specifications and requirements, conditions of contract, required quantity of items and service and timing of provision, assessment criteria, tender closing date and time, the place for depositing the tender, the contact person, and the officer to whom enquiries may be made.

2. As far as possible, the officer responsible for seeking quotations from the suppliers/contractors should not be the approving officer for the acceptance of the quotations in the same procurement exercise.

Submission of Tenders / Quotations and Opening of Tenders

3. Unless in exceptional circumstance of urgency, tenderers should be allowed sufficient time to submit their tenders. Tenderers must submit their tenders before the tender closing date and time specified in the tender documents. Any tenders received after the tender closing time shall not be considered.

Tenders/quotations should be deposited in the tender box by tenderers in person.

4. For confidentiality, the tender box should be properly locked with two individual padlocks, and the respective keys should be separately kept by two authorized persons.

5. To ensure fairness of the procedures, the tenders/quotations should be taken out of the tender box immediately after the tender closing time.
6. All tenders/quotations received after the tender closing time will not be processed.
7. At least two (2) officers shall open the tenders/quotations simultaneously and shall each initial beside the each quotation figures as confirmation.

Tender/ Quotation Evaluation

8. In general, tender evaluation should be carried out by an assessment panel consisting of at least two (2) members. Evaluation of quotations of small amounts may be carried out by one staff member.
9. A 'two-envelope system' should be used for procurement involving the technical aspects and service quality. Tenderers should be required to submit price information and technical information in separate envelopes. Appropriate weights should also be given to the two areas. It is normal practice for the assessment panel firstly to evaluate and award an assessment score on technical aspects of the proposals before opening the price envelope to evaluate the price information.
10. The assessment panel should conduct a preliminary evaluation of the tenders based on the required information and documents stipulated in the tender documents. This will ascertain full compliance with the stipulated conditions and requirements.
11. The assessment panel should select the most competitive and cost-effective tender among the eligible tenders by evaluation according to the pre-set assessment criteria. For contracts involving higher construction costs or requiring higher standards in technology and service areas, a scoring system should be adopted for giving scores in terms of tender price, tenderer's reputation, track records and management quality, as well as the professional and technical standard of staff for implementation of the project/service.
12. The assessment panel shall prepare a tender evaluation report to state clearly its recommendations and the justifications. Where a scoring system has not been adopted and the successful tenderer is not the lowest bidder, full and sufficient justifications must be stated in the evaluation report.

Acceptance of Tender

13. The assessment panel should submit the evaluation report to officers of different ranks for approval (Please refer to Paragraph 16 below) in accordance with the guideline. After endorsement and approval of the selection result, the successful tenderer should be officially notified by post and be invited to enter into a contract with the Organization. For protection of commercial secrets, it should be ensured that disclosure of the details shall not lead to revelation of any tender information provided in confidence by other tenderers.

14. Should none of the tenders received can fulfill the required specifications and conditions, the tendering exercise should be canceled. The original specifications and conditions should be amended as necessary for purpose of re-tendering.

13. Procedure of Handling Complaints

15. Organization should be committed to maintaining a fair and open procurement system. Tenderers who consider them being treated unfairly can lodge a complaint with ACR.

14. Approval and Authorization

16. Approval or authorization should be sought from the following person(s) before inviting suppliers to submit quotations and/or selecting suppliers for seeking quotations:

Value of the Materials or Services to be Procured	Procurement authorized by	Tender approved by

15. Contract administration.

A system for contract administration shall be maintained to ensure contractor conformance with the terms, conditions and specifications of the contract and to ensure adequate and timely follow up of all purchases. ACR shall evaluate contractor performance and document, as appropriate, whether contractors have met the terms, conditions and specifications of the contract.

18. Contract provisions. ACR shall include, in addition to provisions to define a sound and complete agreement, the following provisions in all contracts. The following provisions shall also be applied to subcontracts.



- (a) Contracts in excess of the Simplified Acquisition Threshold shall contain contractual provisions or conditions that allow for administrative, contractual, or legal remedies in instances in which a contractor violates or breaches the contract terms, and provide for such remedial actions as may be appropriate.
- (b) All contracts in excess of the Simplified Acquisition Threshold shall contain suitable provisions for termination by ACR, including the manner by which termination shall be effected and the basis for settlement. In addition, such contracts shall describe conditions under which the contract may be terminated for default as well as conditions where the contract may be terminated because of circumstances beyond the control of the contractor.
- (c) For contracts dealing with construction or facility improvements ACR shall comply with all requirements imposed by its funding sources-donors (and the government regulations applicable to those funding sources) with regard to construction bid guarantees, performance bonds, and payment bonds.
- (d) All negotiated contracts (except those for less than the Simplified Acquisition Threshold) awarded by ACR shall include a provision to the effect that ACR shall have access to any books, documents, papers and records of the contractor which are directly pertinent to a specific program for the purpose of making audits, examinations, excerpt and transcriptions.