**PROCUREMENT GUIDELINES & BEST PRACTICES**

**Overview**

The purchase of supplies, services and work is necessary for the smooth operation of the organization. The aim of the internal control system for the supplying of supplies, services and work is to ensure orders are handled by individuals having skills in evaluating what purchases are required from suppliers offering the best deals, to ensure purchases made do not exceed the budget provided and are open and in a fair competition procedure to all vendors providing supplies or services. NGO’s employees involved in procurement should conduct all business with honesty, fairness, integrity and transparency.

A sound procurement system is important to an NGO, because it helps to ensure that the goods and services are purchased represent value for money. It also helps to minimize opportunities for abuse.

It is recommended that all NGO’s should have in written their own procurement policy, or adopt some of the good practices from other NGO’s or donor strict rules. These help ensuring that suitably qualified contractors are chosen without bias and that the best price‑quality ratio or the best price is obtained, with the full transparency appropriate to the use of funds.

NGO shall follow certain methods in purchasing goods, equipment and services required for the needs of the organization or its projects. Use of competitive bidding shall be a priority practice.

The first criterion in choosing a supplier shall be the lowest bid. However, if a supplier does not provide the required level of service or an adequate guarantee, then other criteria shall also be considered.

Before starting any procurement process, the budgetary commitment should be reflected in a subsequent financing agreement.

The main principles in procurement are:

* Use of funds only for intended purposes;
* Economy and efficiency;
* Prior notice to all parties;
* Competitive selection;
* Appropriate evaluation criteria;
* Appropriate technical specifications / terms of reference;
* Open and transparent processes;
* Highest standard of ethics - no fraud or corrupt practices.

The duties of staff involved in a procurement process should be appropriately segregated (e.g. where practicable, different staff should be assigned to compile specifications, source suppliers, issue purchase orders, accept goods upon delivery and certify invoices for payment).

There should be appropriate authorization levels for making procurement up to specified financial limits.

The circumstances under which the required procurement methods may be waived should be specified (e.g. urgent purchases) and any such cases should be approved or endorsed by a senior staff member vested with the authority.

Below are given the guidelines on how the separation of the functions in procurement could be addressed:

1. **Procurement plan:** A procurement plan listing all the procurements should be developed and should be updated/changed regularly.
2. **Initiating of the Procurement Process**: The initiation of procurement process should be done through a specific form by setting the timeline, specifying the terms of reference and publishing of the open call or restricted and can be initiated by the Program or Project Manager, Finance Manager or other member of Organization. The request should be approved with adequate justifications preferably by Executive Director or a senior staff member. When it is applicable can be approved also from the donor.
3. **Developing of the Terms of References**: Employees must exercise prudence and avoid purchasing unnecessary goods and services by developing solicitation of goods and services document, tender notices, bid analysis, and justifications for selection. The solicitation of goods and services include the following:

* Clear description of the requirements for the goods and services to be procured (equipment description, scope of work)
* Bid requirements, including selection criteria;
* Description of technical requirements;
* Equipment specific description or features (dimensions, measurements, quantity).
* Contract Terms and Conditions

1. **Evaluation Committee:** The evaluation committee consist of three persons. Persons involved in opening and evaluating of procurement process will review and recommend for award of the procurement contract. The Decision of Awarding of the contract should be signed by the Executive Director or a senior staff member.

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| **Stage 1** | **Stage 2** | **Stage 3** | **Stage 4** | **Stage 5** |
| Tender Opening Process and Opening Report | Tender Administrative Check and Report through Compliance Grid | Evaluation of submissions through Criteria’s | Preparation of the Procurement Report | Notification of Award and Contract signing |

1. **Notification of Award:** All procurement participants should be notified if they are selected or not for the award.

**Management mode**

Procurement procedures may change for projects financed under different external financing sources/donors and should be according to the different arrangements between the financing party and the beneficiaries.

**Procurement procedures**

The applicable standard procedures further explained in this practical guide are summarized in the table below. They are divided between those for services (e.g. technical assistance and studies), supplies (i.e. equipment and materials) and works (i.e. infrastructure and other engineering works). The thresholds given in the table are based on the best practices for local NGO’s on the maximum budget for the contract in question (including any co-financing). Where contracts are subdivided into lots, the value of each lot is taken into account when calculating the overall threshold. The threshold on the table below may be applied differently and it is subject of the agreement between donor and implementing organization.

All basic principles must be complied with (including the eligibility, exclusion and selection criteria), regardless of which procedure is used.

**SERVICE CONTRACTS** - A contract between a service provider and the contracting authority for the provision of services such as technical assistance or studies (SER).

**SUPPLY CONTRACTS** - Supply contracts cover the purchase, leasing, rental or hire purchase, with or without option to buy, of products. A contract for the supply of products and, incidentally, for siting and installation shall be considered a supply contract. This may include: vehicles, computer hardware and software, office equipment, furniture and office supplies.

**WORKS CONTRACTS** - A 'work' means the outcome of building or civil engineering works taken as a whole that is sufficient in itself to fulfil an economic or technical function.

**Procurement Methods**

**SINGLE TENDER PROCEDURE** - This method will be used for supplies or services having a value less than or equals €499 and required for a one-time (non-repetitive) procurement.

**SIMPLIFIED PROCEDURE** - This method will be used for supplies or services having a value less than €2,499 and required for a one time (non-repetitive) procurement. Simplified Procedure, is a procurement method that includes direct invitation to a limited number of Bidders requesting a simple quotation specifying only quantity and items.

**RESTRICTED PROCEDURE** - This is a procurement method means comparison of offers coming from equally positioned bidders. Several suppliers or contractors, can be invited to submit written quotations/bids. The tender documents should be prepared in accordance with the all requirements and should be sent to all bidders at the same time.

**OPEN PROCEDURE** - This method is also known as tender. This procurement method is used for procurements that are relatively large in value. Competitive Bidding implies open advertisement with placement of bid announcements in newspapers, website, online portals and other communication media. At least 3 (three) bidders have to submit their bids. The requirement can be fully defined such that the primary competing factor is price (i.e. the solution(s), specification(s), performance standard(s) and timeframe(s) are known).

**The following threshold may apply for your organization following the Based Practices of Procurement procedures.**

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| **OPEN**  **PROCEDURE** | **≥ EUR 5,000** | SERVICE CONTRACTS  SUPPLY CONTRACTS  WORKS CONTRACTS | Invitation to Tender (ITT)  Invitation to Quote (ITT) | Procurement Dossier |
| **RESTRICTED  PROCEDURE** | **≥ 2,500 -4,999** | SERVICE CONTRACTS  SUPPLY CONTRACTS | Invitation to Tender (ITT)  Invitation to Quote (ITT)  Request for Proposals (RFP) | Procurement Dossier |
| **SIMPLIFIED**  **PROECURE**  (formerly known as competitive negotiated procedure) | **≥ 500 -2,499** | SERVICE CONTRACTS  SUPPLY CONTRACTS | Invitation to Tender (ITT)  Invitation to Quote (ITT)  Request for Proposals (RFP) | Non formal request for quotation with the specification of quantity and items. |
| **SINGLE TENDER**  **PROCEDURE** | **≥ 499** | SERVICE CONTRACTS  SUPPLY CONTRACTS |  | A payment may be made against invoice without prior acceptance of a tender if the expenditure is **≤ EUR 499** |

**Procurement Invitations: (Samples can be downloaded)**

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| **Type of Invitations:** | **ABV** | **Means** |
| · Invitation to Offer | IO | Email, Telephone for Single Tender Procedure |
| · Request for Quotation | RFQ | Means a process used to solicit bids or quotes from vendors for the provision of clearly specified supplies or services. The bids, received in response to an RFQ are evaluated primarily on price; |
| · Invitation to Tender | ITT | Means an invitation for providers of a product or service to bid on the right to supply that product or service where the requirement for supplies or services cannot be definitively defined or specified or alternative solutions or offers are being solicited. Proposals are evaluated on predetermined criteria where the selection of a supplier may not be made solely on the basis of the lowest price; |
| · Invitation for Proposals | IFP | Means a process used to solicit bids from vendors for the provision of construction services where the specifications, terms, conditions and other details are set out in the invitation and the responsive bids are evaluated primarily on price, technical specification and other specified factors without further negotiations; |
| · Request for Expression of Interest | REI | Means the buyer is interested in receiving information from suppliers on any products or services available to achieve a particular outcome and may issue an RFQ, RFP or ITT depending on the response. The RFEOI, is used to survey the market for firms interested in responding to a tender or RFP from the buyer. RFEOI are not open for bidding; |