
DanChurchAid

Procurement and Logistics Unit

Noerregade 15

1165 Copenhagen

Denmark

Tel.: +45 3318 7717

Email: procurement@dca.dk

www.danchurchaid.org

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DanChurchAid Procurement Manual
5th Edition, April 2016.

ABBREVIATIONS

| | |
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| ACP: | The ACP Group consists of countries in Africa, Caribbean and the Pacific |
| ACT: | Action by Churches Together |
| AWB: | Air Way Bill |
| B/L: | Bill of Lading |
| CSR: | Corporate Social Responsibility |
| CO: | DanChurchAid Country Office |
| DCA: | DanChurchAid |
| ECHO: | European Commission for Humanitarian Aid & Civil Protection |
| FPA: | Framework Partnership Agreement |
| GDP: | Good Distribution Practices |
| GFU: | DanChurchAid Global Funding Unit |
| GHTF: | Global Harmonization Task Force |
| GMDN: | Global Medical Device Nomenclature |
| GMP: | Good Manufacturing Practices |
| GSP: | Good Storage Practices |
| GTC: | General Terms and Conditions |
| HMA: | DanChurchAid Humanitarian Mine Action |
| HPC: | Humanitarian Procurement Centre |
| HQ: | DanChurchAid Head Quarter |
| IATA: | International Air Transportation Association |
| ICC: | International Chamber of Commerce |
| ILO: | International Labour Organisation |
| INGO: | International Non-Governmental Organisation |
| ISO: | International Standardization for Organisation |
| LDC: | Least Developed Countries |
| MOU: | Memorandum of Understanding |
| MQAS: | Model Quality Assurance System |
| MSF: | Medecines Sans Frontieres |
| NA: | Not Applicable |
| ProLog: | Procurement and Logistics Unit, DCA Head Quarter in Copenhagen |
| RFP: | Request for Proposal |
| RFQ: | Request for Quotation |
| TOR: | Terms of Reference |
| UNICEF: | United Nations International Children's Fund |
| WHO: | World Health Organisation |

INTRODUCTION

This 5th edition of the DanChurchAid (DCA) Procurement Manual is based on donor requirements and international best practices. The Manual is applicable for all DCA operations and can be freely used by DCA and our partners.

The aim of the Manual is to implement appropriate procedures in all procurement activities carried out by DCA and partners in order to ensure that funds are being spent honestly and efficiently to the benefit of our beneficiaries. The procedures of this Manual ensure that DCA and partners practice sound procurement for which transparency, equal opportunities, ethics, best quality and value for money, supporting the project community, and preventing conflicts of interest and corruption are fundamental principles.

The content of the Manual is not set in stone; it is a living document which is updated regularly on the basis of donor requirement, experiences and best practices. Users of the Manual are therefore encouraged to provide feedback and suggestions to the Manual and its related annexes to the DCA Procurement and Logistics Unit in Copenhagen, Denmark.

The 5th edition of the Procurement Manual has been developed by the DCA Procurement and Logistic Unit with important input from procurement staff in the field. Thanks to all who have contributed to the 5th edition of the Procurement Manual. The Manual and its annexes have been developed with reference to publicly accessible procurement documents from World Bank, Europe Aid and ECHO and the procedures and guidelines for procurement in this Manual meet ECHO rules and requirements.

The Manual can be downloaded from the DCA website [LINK](#) where translated Manuals and Annexes and the 5th edition of the Manual also can be found.

Applicability

The Procurement Manual is applicable to all DCA offices, self-implemented operations and project implemented by partners. For projects funded by Danida or DCA own funds and with a total budget below 500.000 dk.kr. partners can apply own procurement rules and guidelines. If partners do not have own procurement rules and guidelines which lives up to international standards, the Procurement Manual is applicable.

If a donor stipulates stricter procurement rules and procedures, the donor's rules shall prevail. If a donor stipulates less strict rules and procedures, the rules and procedures described in this Manual shall prevail.

Operations funded through the ACT Alliance via a multilateral agreement on the basis of an ACT appeal, will not be required to follow the procedures of this Manual, as DCA's contractual relationship is with ACT and not the partner. However, when a bilateral contractual relationship exists with a partner through the ACT Alliance, the policies and procedures of this Manual shall apply, and shall be annexed to any cooperation agreement.

Definition of Procurement

In this Manual procurement is defined as:

The strategic process of acquiring supplies, service and works. The process covers the purchase or rental of the required resources and includes all functions from identification of needs, market analysis, planning purchases, sourcing of candidates, obtaining and evaluation of quotes, award of contracts, contract administration, and ensuring the delivery and receipt of the resources.

The overall aim of procurement is to acquire resources in an efficient and transparent manner which meets the needs at a best quality and price ratio. The procurement process starts at the planning phase of a project and ends once the required resources have been received or tasks are completed and all documentation is properly filed.

| | | |
|----------|--|-----------|
| 1 | PROCUREMENT POLICY | 1 |
| 1.1 | General Procurement Principles..... | 1 |
| 1.2 | Ethical Procurement Principles | 2 |
| 1.2.1 | Implementation of the Ethical Procurement Principles..... | 4 |
| 2 | PROCUREMENT RESPONSIBILITIES | 6 |
| 2.1 | The DCA Procurement & Logistics Unit, CPH | 6 |
| 2.2 | DCA Humanitarian Mine Action | 6 |
| 2.3 | DCA Country Offices & Partners..... | 7 |
| 2.4 | Procurement Committee..... | 7 |
| 3 | PROCUREMENT PROCEDURES | 9 |
| 3.1 | Contract Categories | 9 |
| 3.2 | Thresholds & Affiliated Procurement Procedures | 10 |
| 3.2.1 | Overview of Thresholds and Affiliated Procurement Procedures | 12 |
| 4 | PROCUREMENT PLANNING..... | 13 |
| 4.1 | The Procurement Plan | 14 |
| 4.1.1 | Preparing of Lots | 18 |
| 4.2 | Multi Partner Projects | 19 |
| 4.3 | Consortium Projects | 20 |
| 4.4 | Cash Grants & Vouchers | 21 |
| 4.5 | Community Involvement..... | 21 |
| 4.6 | Use of Own Vehicles | 22 |
| 4.7 | Derogations | 23 |
| 4.7.1 | Blanket Derogations | 23 |
| 4.7.2 | Derogation by Approval | 24 |
| 4.8 | Humanitarian Procurement Centres | 25 |
| 4.9 | Framework Contracts | 27 |
| 4.10 | Running Costs..... | 28 |
| 4.11 | Advertisement & Sourcing | 28 |
| 4.11.1 | General Advertisement | 28 |
| 4.11.2 | Sourcing | 29 |
| 4.12 | Technical Specifications & Terms of Reference..... | 30 |
| 4.12.1 | Technical Specifications | 30 |
| 4.12.2 | Terms of Reference | 31 |
| 4.13 | Procurement of Medicine & Medical Devices | 32 |
| 4.13.1 | Procurement of Medicine | 34 |
| 4.13.2 | Procurement of Medical Devices..... | 34 |
| 4.13.3 | Procurement of Veterinary Medicine | 35 |
| 4.14 | Procurement of Food | 35 |
| 4.15 | Procurement in Emergency Projects..... | 37 |
| 4.16 | Online Procurement | 37 |
| 5 | DOCUMENTATION & MONITORING..... | 38 |
| 5.1 | Procurement Files | 38 |

| | | |
|-----------|---|------------|
| 5.2 | Procurement Monitoring | 39 |
| 5.3 | Procurement Finalisation..... | 41 |
| 6 | SUPPLY CONTRACTS..... | 42 |
| 6.1 | The Simple Procedure..... | 42 |
| 6.2 | The Negotiated Procedure..... | 45 |
| 6.3 | The Local Open Tender Procedure | 51 |
| 6.4 | The International Open Tender Procedure..... | 58 |
| 6.5 | Receiving Supplies..... | 60 |
| 6.6 | Incoterms | 61 |
| 6.7 | Legal Aspects – Warranty Obligations | 63 |
| 7 | SERVICE CONTRACTS | 64 |
| 7.1 | The Simple Procedure..... | 65 |
| 7.2 | The Negotiated Procedure | 68 |
| 7.3 | The Local Open Tender Procedure | 76 |
| 7.4 | The International Open Tender Procedure..... | 84 |
| 7.5 | Legal Aspects – Employment Contracts versus Service Contracts | 86 |
| 8 | WORKS CONTRACTS | 87 |
| 8.1 | The Simple Procedure..... | 88 |
| 8.2 | The Negotiated Procedure..... | 91 |
| 8.3 | Legal Aspects | 98 |
| 9 | LEGAL ASPECTS | 100 |
| 9.1 | Contractual Documents | 100 |
| 9.2 | Validity Period of the Quote / Proposal / Tender | 100 |
| 9.3 | Prepayment, Tender & Performance Guarantees | 100 |
| 9.4 | Applicable Law | 102 |
| 9.5 | Settlement of Disputes..... | 102 |
| 9.6 | Audits | 103 |
| 10 | GLOSSARY | 104 |
| 11 | ANNEXES..... | 107 |
| 12 | RESOURCES..... | 109 |
| 12.1 | Procurement E-trainings..... | 109 |
| 12.2 | Useful Links | 110 |

1 PROCUREMENT POLICY

The Contracting Authority is administering entrusted funds and is accountable to both beneficiaries, as well as public and private donors. Throughout the procurement process, the Contracting Authority shall perform professionally to ensure that funds are spent in a financially and ethically sound manner and with respect for the dignity of the beneficiaries and their right to efficient aid. To ensure this responsibility, all procurement of supplies, services and works, irrespective of the Procurement Procedure, shall be carried out on the basis of the following General Procurement Principles and Ethical Procurement Principles.

1.1 GENERAL PROCUREMENT PRINCIPLES

The following General Procurement Principles constitute the basis for sound administration of all procurement related activities executed.

Transparency and Equal Opportunity

Transparency in procurement means that all information related to procurement activities, procedures and opportunities are documented and made visible and accessible to all relevant stakeholders.

Transparency ensures that equal business opportunities for suppliers/candidates are provided and ensures that they are treated equally and fairly throughout the procurement process. To promote and ensure equal opportunities amongst businesses, all information related to procurement shall be made visible, accessible and known. Additionally, transparency in the procurement process can make it easier to detect irregularities and ensure that funds are being honestly spent, accounted for and fairly distributed.

Avoid Conflicts of Interest

A conflict of interest occurs whenever a person deviates from his/her impartial and objective exercise of his/her professional functions and on the contrary misuses the professional position for private, financial or organisational gain, or for the gain of any third party (family, friends, colleagues, etc.). If conflicts of interest are not identified and managed well, they may evolve into corruption, which shall be avoided at all times.

The Contracting Authority shall be alert to individual or organisational conflicts of interest and shall avoid getting into situations in which they may have a private interest that could influence their professional performance. It is expected to show good judgement, and if a conflict of interest arises, it shall be disclosed to the superior authority and appropriate action shall be taken. If in doubt whether a conflict of interest exists, please contact a superior.

The Contracting Authority shall also be alert to conflicts of interest and/or non-competitive practices by contractors. Procurement shall not take place if it is known that a contractor has any financial interest with an employee.

NOTE: If a supplier/candidate has been requested to provide assistance and input to the technical specifications and/or the tender material, they may not submit an offer under that particular purchase.

Anti-corruption

Corruption is defined as the misuse of entrusted power for private gain. Corruption occurs on various levels and in different forms. What always characterises corrupt practices is that they involve conflicts of interest and negatively influence impartiality and objectivity in e.g. the selection process or in the contract execution. The abuse of power, extortion, fraud, embezzlement and bribery is always prohibited (and in most countries illegal).

Staff shall not give or receive any gifts, service or favour that may influence the exercise of their professional function and performance. In order to respect traditions and conventional hospitality, minor gifts or small scale hospitality may be accepted if the intention is professional. Receiving minor gifts shall never influence

the staff's good judgement and shall be shared with colleagues in order to create transparency and prevent partiality. Cash gifts are never to be accepted. As the value of an acceptable gift varies across the countries, receiving or giving a minor gift is always a matter of context, good judgement and professionalism. Whenever in doubt, contact a superior.

Unacceptable gifts are defined as having a value above EUR 100 and substantial hospitality, such as accommodation and holidays are never acceptable. Staff shall not engage in corrupt practices. To prevent corruption and misuse of finances, it is important that procurement and payment may never be undertaken by the same person.

Staff shall reject any bid, or terminate any contract, put forward by corrupt actors. Staff shall follow the [Anti-corruption Policy](#) and are obliged to report all corrupt incidences to a [Complaint Mechanism](#)¹. Partners and contractors have to live up to the anti-corruption policy. It is the responsibility of the Contracting Authority to inform the partners and other relevant stakeholders about this policy.

Best Quality and Value for Money

The principle of best quality and value for money aims at ensuring efficiency, effectiveness and economy in procurement, and it is an award criterion which ensures that the optimum quotation/proposal is awarded the contract. The optimum quotation/proposal fulfils the defined needs and the objective of the action with requirements to the following four indicators: satisfactory quality of the resources; timely delivery or completion; price corresponding to market prices or lower; and with considerations to human, social and labour rights and the environment.

The award of contracts regardless of the Procurement Procedure shall always conform to the principle of best quality and value for money and ensure that Procurement Procedures are open to the broadest degree of competition.

Support the Project Community

In order to support the regional economy and the development of markets, the Contracting Authority shall whenever possible, seek to procure resources in the project implementation area. Before carrying out procurement activities, the Contracting Authority must ensure that this will not distort the local market, increase prices, or cause harm to the environment.

1.2 ETHICAL PROCUREMENT PRINCIPLES

As buying organisations we are active players on the global market buying various supplies, services and works. Therefore we influence the flow and allocation of economic resources and consequently have an impact, whether direct or indirect, on poverty, rights, social- and environmental conditions. Thus, we have a responsibility and obligation to ensure that the way we practice procurement seeks to decrease the ethical risks and support sustainable development. Ethical procurement is in line with our general values and goals of empowering *"the world's poorest people in their struggle for a life in dignity"* with *"respect for every individual's rights and the equal worth"*².

Practicing ethical procurement involves looking beyond economic parameters and efficiency. The life cycle of the products and services we purchase and the related social consequences, risks and implications for people, society and the environment, shall be considered in the procurement process. Within this commitment lies a responsibility to encourage and oversee responsible business behavior in our supply chains and the implementation of our [Code of Conduct for Contractors](#).

¹ Contractors who have signed a contract with DCA, or DCA implementing partner, shall file a complaint through: <http://www.danchurchaid.org/about-us/quality-assurance/anti-corruption/complaints>

² <http://www.danchurchaid.org/about-us/organisation-and-strategy>

The following Ethical Procurement Principles are based on international conventions³, recommendations from the [Danish Initiative for Ethical Trade](#) (DIEH), [UN Guiding Principles on Business and Human Rights](#) and [ECHO's Humanitarian Aid Guidelines for Procurement 2011](#).

Promote and Protect Human, Social and Labour Rights

Staff and partners shall in all procurement work towards avoiding procurement practices and decisions, which negatively affect people's human, social and labour rights. Throughout the procurement process the impact procurement decisions may have on people's rights shall be considered. Furthermore the necessary actions to promote a responsible business environment where contractors are willing and able to integrate people's human, social and labour rights in their businesses shall be taken.

Procurement decisions shall seek to support and promote the following internationally recognised rights: The International Human Rights; non exploitation of child labour⁴; freedom to choose employment; freedom of association and collective bargaining; payment of living wages⁵; freedom from discrimination in employment; no harsh and inhumane treatment of employees; safe and hygienic working conditions; non-excessive working hours; and securing regular employment⁶.

Uphold International Humanitarian Law and Related Conventions

For all procurement the necessary precautions to avoid contractors who are engaged in activities which initiate, sustain or exacerbate armed conflict and violations of International Humanitarian Law⁷, or any other illegal activity shall be taken. The Contracting Authority shall always seek to avoid procurement practices and decisions, which directly or indirectly inflict harm to civilians affected by conflict.

Staff shall uphold the responsibilities and commitment to the [Ottawa Convention](#) against landmines and the [Convention on Cluster Munitions](#). It is important not to use contractors who are engaged in any development, sale, manufacture or transport of anti-personnel mines, cluster bombs or components or any other weapon, which feed into violations of International Humanitarian Law or is covered by the Geneva Conventions and Protocols.

Protection of the Environment

To minimise the environmental damage applied to nature via procurement, the Contracting Authority shall seek to act in accordance with the [Rio Declaration](#). This involves making procurement decisions, which consider environmental issues and integrate them into the procurement process.

The following four main issues are to be considered in the procurement process and in the selection criteria: The choice of transportation and the associated pollution risks; the purchase of environmentally friendly products/materials or recycled products whenever possible and pertinent; efficient use of resources, and conservation of scarce resources (water, flora, forest, land, etc.).

Code of Conduct for Contractors

Alongside the above mentioned Ethical Procurement Principles this Manual includes a Code of Conduct for Contractors which defines the ethical principles and standards for contractors. The Code of Conduct is a mandatory component of all contracts and shall be signed by all contractors.

³ The full list of international conventions related to the Ethical Procurement Principles can be found in the Code of Conduct for Contractors.

⁴ The definition of child labour is found on: <https://www.unglobalcompact.org/what-is-gc/mission/principles/principle-5>

⁵ A living wage is the minimum hourly wage necessary for an individual to meet basic needs, including housing and other incidentals such as clothing and nutrition. According to ILO Conventions a living wage includes a discretionary income. A discretionary income is the amount of an individual's income that is left for spending, investing or saving after taxes and personal necessities (food, shelter, and clothing) have been paid.

⁶ A list of the rights to be upheld and promoted is found in the Code of Conduct for Contractors.

⁷ International Humanitarian Law prohibits pillage – the unlawful taking of private property for personal or private use. This includes the accusation of private property based on force, threats, intimidation, pressure and through a position of power accomplished due to the surrounding conflict.

It is the contractors' responsibility to comply with the Code of Conduct. As a general rule it is preferred to promote dialogue and positive changes instead of a 'running and cutting' practice⁸ which does not contribute to actual improvements. However, if a contractor does not commit to the Code of Conduct, the Contracting Authority shall turn down the quote/proposal or consider terminating the contract. The Contracting Authority shall always act in accordance with donor requirements for termination of contracts.

1.2.1 Implementation of the Ethical Procurement Principles

To decrease and avoid the ethical risks related to procurement, it is recommended that the following issues are considered and integrated in the procurement process:

- **Lead times and changes to contract specifications.** Short lead times and changes to the contract specifications may influence contractors' ability to provide secure and regular employment and may result in forced (and unpaid) overtime. Good planning and clearly defined specifications and selection criteria enable contractors to plan ahead and provide feedback on specifications.
- **Pricing.** Putting pressure on prices may have negative consequences for contractors' employees and may lead to deterioration in health, safety and payment of living wages or compensation for overtime. The prices paid shall leave room for both the supplier and the Contracting Authority to benefit from the relationship. Be aware of this when negotiating the contract price, and always make sure to pay the contractor on time.
- **Include ethical criteria's in RFP/RFQ/Tender Dossier.** When relevant make sure to include ethical criteria in the specifications/TOR and contract conditions in the RFP/RFQ/Tender Dossier and in the Proposal- or Quotation Submission Form. This could be in the form of requirements to specific ethical criteria's that the product, service or works has to live up to or additional requirements to the contract performance (which are not mentioned in the Code of Conduct). If certifications/standards (e.g. FairTrade, Rainforest Alliance, SA8000 or FSC) are required as a means of proof for complying with a set of defined criteria, it must be stipulated that other reliable means of proof are also accepted.
- **'Think Green'.** Whenever possible and pertinent, think green solutions into procurement. This could be product specific such as: solar panels, wind power, water efficient equipment, biogas installations, recycled materials etc. Also include requirements to specific certifications which ensure e.g. environmental sustainability, proper energy management, legal/sustainable forestry, organic materials, ecology etc.
- **High risk sectors and countries.** Be aware that ethical risks are often related to specific sectors and countries and are often interrelated. E.g. child labour is often also bonded or trafficked; the garment/textile sector is known for violations of labour rights; child labour is more common in the agricultural and garment/textile sectors than in other sectors; seasonal production is more likely to make use of migrant workers whose labour rights are often not covered by national law; in many developing countries the minimum wage is not a living wage; land grabbing is often related to food production and bio fuel; and polluting production practices are often associated with certain industries and countries.

It is recommended to make a risk assessment to get a basic identification of sector and country specific risks in the country of operation. You may find useful information on the following online resources: <http://hrbcountryguide.org> (human rights and risks for businesses); www.hrw.org/publications (Human Rights Watch); www.maplecroft.com (global risks and businesses).

- **Sharing knowledge.** Sharing knowledge (through e.g. NGOs, government institutions, trade unions, etc.) on general CSR⁹ issues, general attitudes towards human rights, national laws and environmental risks in a given country provide essential and useful information on ethical issues and risks.

⁸ A 'running and cutting' practice means the immediate termination of sourcing from a supplier. Termination of a relationship with a supplier does not have a positive effect on employees, working conditions or situation. On the contrary it might worsen their situation.

⁹ Corporate Social Responsibility. CSR is a volunteer business reporting framework or business approach which includes environmental and social aspects alongside financial measures. Through CSR businesses include a social and environmental responsibility in their business actions and goals.

- **Small scale risk assessment on Contractors.** The sourcing of new contractors shall entail a small scale risk analysis on each contractor's ethical business performance. If possible, it is recommended to make a Google search on each contractor in order to generate information on e.g. CSR policy, labour violations, human rights violations, polluting practices, relevant certifications, the SA8000 standard etc. Findings shall be documented and filed in the procurement file. The generated information - positive, negative or non-existent shall then be integrated in the selection of contractors. If any, the identified ethical problems shall be addressed in dialogue with the chosen contractor or alternative procurement options shall be identified.
- **Supplier visits.** When visiting suppliers/candidates for sourcing reasons or other reasons make simple observations on ethical issues also e.g. how are the working conditions? Are wastewater led directly into the stream/river? Are children working at the compound? Are workers in direct contact with chemicals? etc. Document your observations, make a note to file in the procurement file or in your supplier database and take appropriate action.
- **Engaging in dialogue.** Dialogue is an important component of creating changes to ethical issues. As a general rule, if there is a suspicion or proof of a contractor not complying with the Code of Conduct for Contractors, this should be discussed in the Procurement Committee. It should then be decided what actions are to be taken for that specific case in that specific context – all with the aim of dialogue. If the problem is severe, e.g. child labour, bonded labour, mine production etc. the program management shall be included to find a proper solution or for determining if the contract should be terminated.

2 PROCUREMENT RESPONSIBILITIES

2.1 THE DCA PROCUREMENT & LOGISTICS UNIT, CPH

As a service to our partners and DCA Country and HMA Offices, the DCA Procurement and Logistics Unit in Copenhagen (ProLog) provides assistance and advice on the following procurement tasks at the project preparation stage:

- Activity planning
- The Procurement Plan
- Budgeting (identifying storage, transport and other required resources)
- Identifying the need for procurement capacity
- Identifying if derogations from the Procurement Procedures are necessary

At project implementation stage DCA Procurement and Logistics Unit is providing support and training in the use of the Procurement Manual for partners and procurement staff at Country and HMA Offices. It is important to stress the need to incorporate training and support needs in the project planning phase and include in project budgets.

As a general rule DCA Procurement and Logistics Unit is always available to partners and Country and HMA Offices for any questions they might have on procurement rules and procedures, implementation difficulties, ethical issues and for the provision of procurement related annexes and guidance.

When procurement activities are significant, the services of a logistician or a procurement expert may be needed for the implementation of Procurement Procedures (paper work, detailed market investigations, contacts with suppliers, filing of procurement documentation). DCA Procurement and Logistics Unit can assist in the identification of experts when required.

Depending on the project, DCA Procurement and Logistics Unit's assistance might be agreed upon for implementation, supervision and monitoring of procurement activities. It is important to stress the need to incorporate these services in the project planning phase and include in the project budget.

For global funding projects the level of involvement by DCA Procurement and Logistics Unit shall always be coordinated and agreed with the Global Funding Unit (GFU). For other projects the responsible Project Manager shall coordinate directly with DCA Procurement and Logistics Unit.

2.2 DCA HUMANITARIAN MINE ACTION

For DCA Humanitarian Mine Action (HMA) programmes all international procurement shall be carried out by the Procurement and Logistics Unit in DCA Head Quarter (unless otherwise stated in the approved Procurement Plan), and all local purchases shall be carried out by the program personnel and its established Procurement Committee according to the Procurement Manual.

NOTE: For all HMA programmes and projects, the DCA Logistics Manual is also applicable. Access the Logistics Manual via: <https://www.danchurchaid.org/about-us/quality-assurance/procurement-and-logistics/logistics-manual>. (Use same login as for the DCA Procurement Manual)

For HMA programmes it is mandatory to use the ADMIND system for asset management. For supplier registration, issuing Purchase Orders, and fleet management it is strongly recommended to use the ADMIND system. Contact DCA Procurement and Logistics Unit for more information.



Learn how to install AMIND, how to issue Purchase Orders, register suppliers and apply the stock and fleet management system via the tutorials in e-training no 5: 'ADMIND Tutorials'. [LINK](#)

2.3 DCA COUNTRY OFFICES & PARTNERS

According to DCA's decentralisation policy, DCA Country Offices (CO) and partners are responsible for establishing a Procurement Committee to carry out the procurement planning and implementation. Internal authorisations and responsibilities shall follow the organisational rules of the specific partner or CO. It may be necessary to introduce new rules for authorisation and responsibilities in order not to impede or slow down the procurement process.

For all procurement carried out by CO's and DCA partners the Procurement Manual applies.

NOTE: For logistics at DCA CO's and partners it is recommended to follow the guidelines in the DCA Logistics Manual and apply relevant templates. Access the Logistics Manual via: <https://www.danchurchaid.org/about-us/quality-assurance/procurement-and-logistics/logistics-manual> (Use same login as for the DCA Procurement Manual)

For DCA CO's it is strongly recommended to use the ADMIND system for supplier registration, issuing Purchase Orders, and stock- and fleet management. Contact DCA Procurement and Logistics Unit for more information.



Learn how to install AMIND, how to issue Purchase Orders, register suppliers and apply the stock and fleet management system via the tutorials in e-training no 5: 'ADMIND Tutorials'. [LINK](#)

2.4 PROCUREMENT COMMITTEE

A Procurement Committee shall be established before any procurement activities are initiated and shall sign the Declaration of Impartiality and Confidentiality found in GEN 2-1. The Procurement Committee shall consist of at least three persons and preferably an odd number. As to prevent conflict of interests, the same committee member may not carry out procurement and payment. This means that a committee member who is in direct contact with and collecting quotations from suppliers, shall not also issue payment to the suppliers.

The main responsibilities of the Procurement Committee are to:

- Ensure that a Procurement Plan is drafted and that it corresponds to the activity plan
- Ensure that all procurement requirements are planned at the beginning of the project
- Ensure that procurement activities are initiated on time
- Ensure that ethical risks are considered and addressed in the procurement process
- Ensure that the procurement fulfils donor requirements
- Ensure that required procurement staff are on board (see GEN 5 for the procurement capacity check list)
- Ensure 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
- Ensure the collection of quotations and issue Purchase Orders/contracts
- Evaluate quotes/proposals
- Ensure that the best quality and value for money is obtained

It is not a requirement to form an independent evaluation committee for evaluation purposes. For the evaluation of high value tenders (Local and International Open Tenders), it is especially important that the committee possesses the necessary technical and administrative expertise to perform the Tender Evaluation. For the evaluation of tenders below EUR 500, the Procurement Officer (or any other committee member) may be designated to evaluate and undertake the purchases. If the members of the Procurement Committee do not possess the required qualifications, internal or external experts shall be appointed (the

Procurement Committee may use different experts for evaluation of the individual lots depending on the Contract Category). The Procurement Officer shall always be a member of the Procurement Committee as the expert on Procurement Procedures.

See GEN 2-2 for a Template for the Terms and References for a Procurement Committee.

3 PROCUREMENT PROCEDURES

Procurement Procedures are the rules and actions that apply to the purchase of a given resource, depending on the Contract Category and the value of the purchase. Put in a simple way, they are the rules for “how to buy”. Overall, this chapter provides an introduction to which Procurement Procedure to apply according to Contract Category and contract value.

In order to select an appropriate Procurement Procedure for each lot in the Procurement Plan, the Procurement Committee shall first consider which Contract Category the resources belong to and the value of the contracts accordingly. The following two sections provide a short description of the various Contract Categories, the Procurement Procedures and thresholds respectively.

For an overview of the thresholds and the affiliated Procurement Procedures for the Contract Categories, see the table in section 3.2.

3.1 CONTRACT CATEGORIES

The resources to be procured are divided into the following three Contract Categories:

Supply

Supply Contracts cover the purchase, operational leasing¹⁰, rental or hire of products (including rental of vehicles, equipment, venues and property, with or without an option to buy). The delivery of products may in addition include siting, installation and maintenance.

Service

A Service Contract is a contract for the provision of a defined service. It covers all intellectual and non-intellectual services other than those covered by Supply Contracts and Works Contracts.

Service Contracts also comprise the following contract forms:

- 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, or to manage or supervise a project in the Supply Contract.
- Rent of a vehicle with a driver is also a Service Contract (rent of vehicle alone is a Supply Contract).

Be aware that some services such as repair of machinery, cleaning services or small scale catering might be considered “running costs” and are therefore not subject to Procurement Procedures (see section. 4.10 on Running Costs). Also note that rental of equipment and venues are Supply Contracts (e.g. rent of vehicle or conference room).

A Service Contract and an Employment Contract are two different contracts. An Employment Contract involves recruitment, fixed salary, regulations on leave, resignation restrictions etc. These obligations are hence for the Contracting Authority as an employer, rather than merely a party to a contract for the provision of a defined service. Employment Contracts are not covered by this Manual and are not considered procurement. (See more details in section 7.5.)

Works

'Works' means the outcome of building or civil engineering taken as a whole and sufficient to fulfil an economic or technical function. Works Contracts cover either the execution, or both execution and design of a work corresponding to the requirements specified by the Contracting Authority. It is a Works Contract

¹⁰ For operational leasing there is no transfer of legal ownership to the lessee. Depending on the contract most risks are held by the owner.

when an entrepreneur or a construction company has the obligation of delivering works and is responsible for hiring and/or buying the necessary resources to fulfil this obligation (i.e. the entrepreneur hires the labour, brings the equipment and buys the construction materials and supplies). Examples of Works Contracts are construction, reconstruction, demolition, repair or renovation of a building, site preparation, excavation, drilling, etc.

NOTE: In the event where there are elements of both services and supplies represented in a contract, the Procurement Procedure shall be determined by the Contract Category which represents the highest value. Such contracts are often referred to as Hybrid Contracts.

3.2 THRESHOLDS & AFFILIATED PROCUREMENT PROCEDURES

The Contract Category and value of a contract defines the applicable Procurement Procedure for a particular purchase. The rules and procedures to be followed get stricter the higher the value of the contract.

The contract value is determined by the estimated costs of a lot including any additional services or options covered by the contract. If the contract establishes a running relationship, e.g. a service agreement or a Framework Contract, the contract value covers the entire contract period and includes all related payments.

This section describes each of the four applicable Procurement Procedures. It is important to stress that it is mandatory to follow procedures for each purchase. Thorough information and guidelines on these procedures are described in the Supply (6), Service (7) and Works (8) chapters respectively. To see an overview of the steps involved in the four Procurement Procedures please see GEN 9.



Learn about Contract Categories, thresholds and the affiliated Procurement Procedures via e-training no 4: 'Thresholds and Procurement Procedures' via this [LINK](#).

NOTE: If donor rules are stricter than the procedures outlined in this Manual, the donor rules shall prevail.

Threshold below EUR 300

Purchases with a value below EUR 300 is not considered procurement and thus no Procurement Procedure apply. The only documentation requirements is to file the invoice. If pertinent, the threshold can be set lower than the EUR 300.

Simple Procedure

The Simple Procedure is the simplest Procurement Procedure. This procedure is applicable for procurement between EUR 300 - 9,999.

For the Simple Procedure it shall be documented that the price of the procured product or service corresponds with, or is lower than the market price – meeting the technical specifications/TOR. To establish this, you can either obtain three verbal or written quotations, search the internet or, refer to recent contracts. Make sure you have at least three prices for comparison. Please make sure that all verbally obtained quotations are documented and saved in a Note to File in the procurement file, or documented in a formal evaluation form such as Annex SUP 4: Evaluation Grid for Negotiated Procedure.

A Purchase Order or contract shall always be issued for procurement above the value of EUR 2,000. For procurement below EUR 2,000 it is optional to issue a Purchase Order or contract, but an invoice shall in all cases be received and filed. As this lower threshold allows for more flexibility in issuing Purchase Orders and contracts under the value of EUR 2,000, it is important to be aware of the risks involved. In order to minimise risks and ensure that the contractors are aware of the General Terms and Conditions (GTC) and Code of Conduct for Contractors, it may be advisable to issue a Purchase Order or a contract for purchases less than EUR 2,000 in some contexts. Please ensure that this does not conflict with donor requirements

Negotiated Procedure

The Negotiated Procedure is more formal than the Simple Procedure and is applicable for Supply and Service Contracts when contracts are within the value EUR 10,000 - 149,999 (10,000 - 299,999 for Works Contracts).

The Negotiated Procedure requires that a minimum of three suppliers/candidates are invited simultaneously to submit a quotation based on a RFQ/RFP. The contract shall be awarded the most compliant supplier/candidate. For contracts above EUR 30,000, it is mandatory to publish the Award Notice in a suitable procurement media and on the Contracting Authority's website. Letters to all unsuccessful suppliers/candidates shall be submitted. The Negotiated Procedure is less formal than a Local Open Tender Procedure and gives the opportunity to negotiate the terms of a contract.

Local Open Tender Procedure

The Local Open Tender Procedure (from here on named Local Open Tender) is more extensive and elaborate than the Negotiated Procedure. It is applicable to higher value purchases of EUR 150,000 - 299,999 (300,000 - 2,999,999 for Works Contracts).

The procedure requires a public advertisement of a Tender Notice in the country of operation (in newspapers, online procurement media etc.) with a bid flow of at least 21 days. A Local Open Tender shall provide eligible suppliers/candidates within the country of operation with the same business opportunities.

A specified Tender Dossier shall be drafted and forwarded to interested suppliers/candidates who then have the opportunity to make a tender request. After the deadline of receiving tenders, the tenders shall be opened and announced in the presence of all interested tenderers. Evaluation of the tenders is fulfilled by the members of the Procurement Committee on the basis of a clearly predefined evaluation grid. The outcome of each member's evaluation is compared and the best compliant tender is awarded the Contract. It is mandatory to publish the Award Notice in a suitable procurement media and on the Contracting Authority's website. Letters to all unsuccessful suppliers/candidates shall be submitted.

NOTE: For Works Contracts where the Local- and International Open Tender is applicable, there are no step guides and annexes in this Manual. For planning and implementation of these procedures contact your DCA Desk Officer in HQ or at CO for advice and standard documents.

International Open Tender Procedure

The International Open Tender Procedure (from here on named International Open Tender) is similar to the Local Open Tender except for the rules applicable to advertisement and the timeframe for the bid flow. International Open Tenders shall always be advertised internationally, and the deadline for submitting a tender shall be at least 30 days after the Tender Notice is published (bid flow is 30 days). The International Open Tender is applicable for all purchases of Supplies and Services above EUR 300,000 and for Works above 3 million EUR.

3.2.1 Overview of Thresholds and Affiliated Procurement Procedures

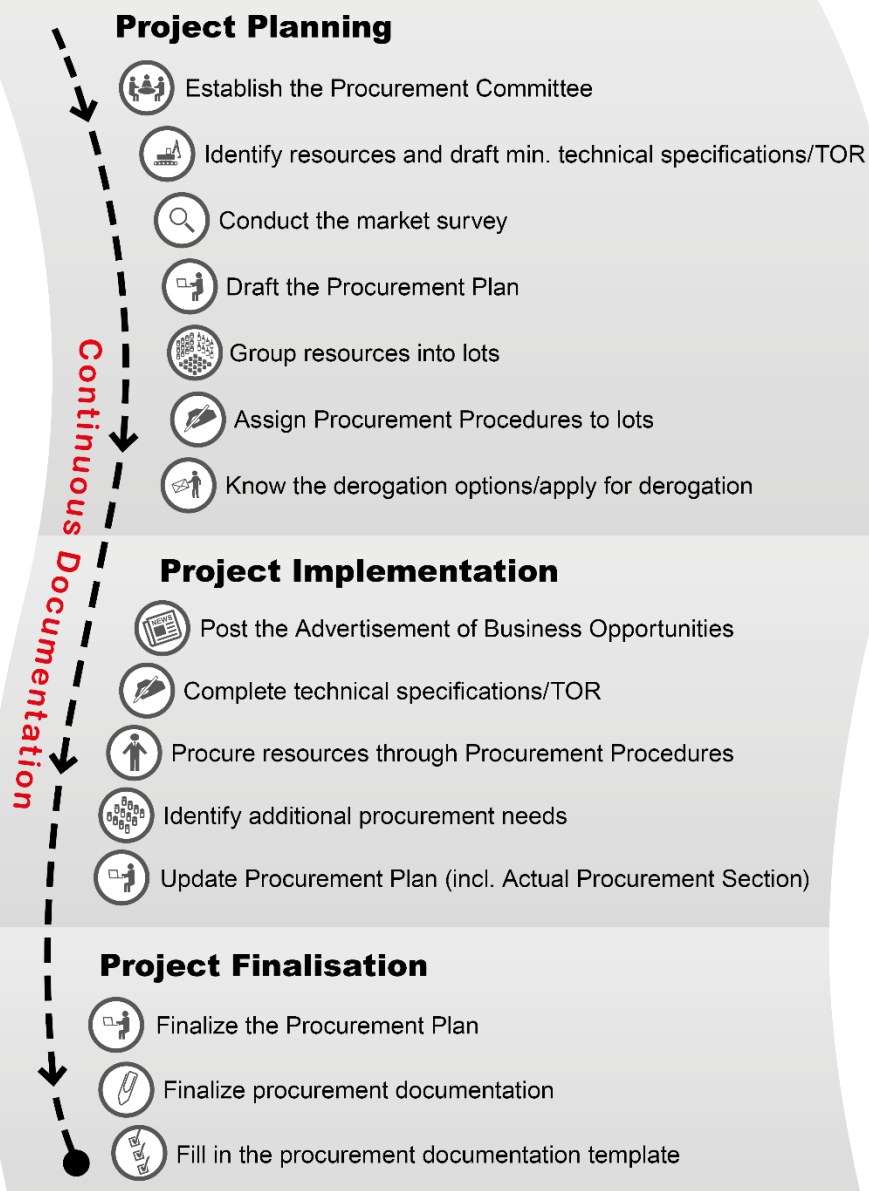
| | SUPPLY | SERVICE | WORKS |
|---------------------------|-----------------------|-----------------------|-------------------------|
| Simple Procedure | 300 – 9,999 EUR | 300 – 9,999 EUR | 300 – 9,999 EUR |
| Negotiated Procedure | 10,000 – 149,999 EUR | 10,000 – 149,999 EUR | 10,000 – 299,000 EUR |
| Local Open Tender | 150,000 – 299,999 EUR | 150,000 – 299,999 EUR | 300,000 – 2,999,999 EUR |
| International Open Tender | Above 300,000 EUR | Above 300,000 EUR | Above 3,000,000 EUR |

To see an overview of the steps involved in the four Procurement Procedures please see GEN 9.

4 PROCUREMENT PLANNING

Procurement is a process, which starts when projects are designed and ends when projects is finalised. Thorough and timely procurement planning a very important aspect of procurement and is crucial for ensuring effectiveness, efficiency, quality and donor adherence in projects. When planning project, overall it shall be determined: which resources are required to be procured (supplies, services, works), when shall they be delivered, the needed standards, timeframes, costs and which Procurement Procedure shall be followed for each contract. This is all part of drafting the Procurement Plan, which is covered in section 4.1. Lack of thorough procurement planning may result in waste of funds, serious delays in implementation, it may have ethical consequences, and the donor may declare cost ineligible.

OVERVIEW OF THE PROCUREMENT PROCESS



Learn more about the procurement process via e-training no 1: 'Procurement in the Project Cycle'. [LINK](#)

4.1 THE PROCUREMENT PLAN

Overall, the main purpose of the Procurement Plan is to answer the questions of what to buy, when to buy, estimated prices and how to buy. The Procurement Plan shall be drafted as a part of the project planning phase, even if the donor does not require it. This is to ensure that all procurement and logistic costs are included in the budget, that resources are grouped into lots, that procurement time constraints are considered in the activity plan, and overall to ensure that a plan for: what to buy, when to buy, and how to buy is available once project implementation starts. Additionally the Procurement Plan functions as reporting tool and as reference tool to procurement- and finance files. The Procurement Plan shall be drafted applying the template in GEN 7-1. When drafting the Procurement Plan make sure to consider all relevant procurement issues covered in section 4.2 – 4.14.

It is the responsibility of the Procurement Committee to ensure that the Procurement Plan is prepared. See the sample of a general Procurement Plan in GEN 7-2. Drafting a thorough Procurement Plan during project planning will help ensure smooth and timely procurement implementation, and thus quality in projects.

The Procurement Plan is a dynamic planning tool, which will change during the project period. Make sure to document the process and the development of the Procurement Plan by saving a version of each updated excel sheet.







Learn how to draft the Procurement Plan via e-training no 3: 'Step Guide to The Procurement Plan'. [LINK](#).

Step Guide to Drafting the Procurement Plan:

1

Identify Required Resources and Costs

In cooperation with relevant project staff, it shall be established which resources are to be procured for the project (supplies, services, works). At this stage it is important to determine the minimum technical specifications and Terms of Reference (see section 4.12.1). Moreover considerations regarding the use of e.g. HPCs, community involved procurement, framework contracts, vouchers etc. shall be integrated in the planning of procurement and thus integrated into the Procurement Plan.

When preparing the budget, all expenses for logistics, such as transport, clearance, import costs, insurance, warehousing and distributions, shall also be included. For guidelines on transportation and storage, please see SUP 9.

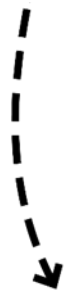
For products with a limited shelflife, it may be necessary to plan for partial deliveries or special transport which may increase costs.

For Works Contracts it may be necessary to hire an engineer to supervise the administration of the contract. This is a Service Contract and cost has to be included in the budget.

Identify capacity building needs and include these as expenses in the project proposal, e.g. consulting services from a procurement expert, workshop expenses, training expenses for the procurement and financial management staff etc.

Identify if translation of this Manual and/or relevant annexes into other languages is needed and if possible, include this in the budget and Procurement Plan.

Identify if there are any potential ethical risks related to the specific product or service to be procured, and include into further procurement decisions and actions. In some instances sourcing responsibly may add a bit extra costs to the budget.



MANDATORY ANNEX

GEN 7-1: Template for Procurement Plan

SUPPORT ANNEX

GEN 7-2: Sample of Procurement Plan

SUP 9: Guidelines on Transportation and Storage

2

Know the Donor Requirements



For each project it is important to investigate the specific donor requirements for procurement. This Manual represents the minimum procurement requirements which shall be followed. If stricter Procurement Procedures are stipulated by a donor, the donor requirements shall prevail. E.g. a donor may have specific requirements to the country of origin of supplies, special quality requirements, ineligible products or have a lower threshold for Open Tender Procedures. If the donor has less strict requirements for procurement, the rules described in this Manual shall prevail.

3

Conduct Market Survey



Once the required resources have been identified, a thorough market survey shall be carried out to establish:

- **The availability of the required resources.** The market survey shall answer basic question regarding prices, trade customs, as well as availability and quality of resources. At this stage, potential cont suppliers/candidates shall be mapped and registered.
- **The availability of suppliers/candidates** and their record and reputation.
- **To support the regional economy** and the development of markets, the Contracting Authority shall, whenever possible, seek to procure resources in the project implementation area. Local procuremen shall also adhere to procurement principles and proceures. It shal be ensured that procurement activities will not distort the local market, increase prices, or cause harm to the environment.
- **The existing import regulations and restrictions.** Once it has been established which resources need to be imported and in order to avoid delays, it is important that the customs authorities and a clearing agent are contacted on the import procedures and the requirement for import license and/or other related documentation. This is particularly important when procuring pharmaceutical products, medical equipment, radio and satellite communication equipment, mine detectors, plastic explosives, food, etc.
- **Logistical needs and availability:** transport, special transport, storage and warehousing. Include costs in the budget.

- **The social, labour and environmental risks** related to the resources to be procured. The obtained information helps to identify high risk sectors, countries, suppliers/candidates; the necessity to seek alternative procurement options; if special requirements to ethical standards are to be included in the selection criteria (e.g. certifications); if there is a need for dialogue with suppliers/candidates; and if it is necessary to exclude some suppliers/candidates due to ethical reasons (e.g. use of child labour), etc.
- **The relevance of using Framework Contracts** for any of the purchases of supplies or services (see section 4.9).
- **The need to derogate** from mandatory rules or Procurement Procedures. The market survey will reveal if there is a need to derogate from a rule or Procurement Procedure due to specific market conditions.
- **Findings from the market survey** shall feed information to the budget (e.g. transport or storage costs, prices of required resources, imports costs etc) activity plan (timeframes) and the project proposal in general.

SUPPORT ANNEX

GEN 6: Market Survey Form

4

Group Resources into Lots

Based on the information obtained from the market survey and budget, all the required resources are now grouped into lots in the Procurement Plan.

Preparing lots is the process of grouping resources which can potentially be purchased from one contractor in order to obtain the best quality and prices for the required resources. Preparing lots are for the entire project period and independent of project activities, geography for implementation, and the number of donors and partners for the project. See section 4.1.1 for more information on preparing lots.

MANDATORY ANNEX

GEN 7-1: Template for Procurement Plan

SUPPORT ANNEX

GEN 7-2: Sample of Procurement Plan

Learn more about lots via e-training no 2: 'Working with Lots' [LINK](#)

5

Assign Procurement Procedures

SIMPLE

LOCAL
OPEN
TENDER

Each lot in the Procurement Plan are now assigned a Procurement Procedure which is determined by the Contract Category and the total value of each lot. See section 3 for more information. For a thorough description of the Procurement Procedures go to the Supply, Service or Works chapters respectively (chapter 6-8).

| | SUPPLY | SERVICE | WORKS |
|-------------------|-------------------|-------------------|---------------------|
| Simple | 300 - 9,999 EUR | 300 - 9,999 EUR | 300 - 9,999 EUR |
| Negotiated | 10,000 - 149,999 | 10,000 - 149,999 | 10,000 - 299,999 |
| Local Open | 150,000 - 299,999 | 150,000 - 299,999 | 300,000 - 2,999,999 |
| Int. Open | Above 300,000 EUR | Above 300,000 | Above 3 million |

Learn more about Contract Categories, thresholds and the affiliated Procurement Procedures via e-training no 4: 'Thresholds and Procurement Procedures'. [LINK](#)



6

Consider Timeframe




For the overall duration of the project, the timeframe for carrying out each Procurement Procedure shall be taken into account i.e. time for advertising, preparing technical specifications/Terms of Reference, issuing a Request for Quotation/Request for Proposal/Tender Dossier, evaluation etc. Note that procurement time constraints are often underestimated.


Timely and thorough planning can help prevent the placement of last minute contracts or changes to existing contracts which may influence the contractors' ability to deliver on time and comply with the ethical principles and standards outlined in the Code of Conduct for Contractors.

The below table shows the overall timeframe for the different Procurement Procedures.

| PROCEDURE | BID FLOW | TIMEFRAME | DELIVERY TIME |
|-------------------|--------------|---------------|----------------|
| Simple | NA | 1 - 2 weeks | Shall be added |
| Negotiated | App. 2 weeks | 3 - 8 weeks | Shall be added |
| Local Open | Min. 21 days | 10 - 14 weeks | Shall be added |
| Int. Open | Min. 30 days | 13 - 18 weeks | Shall be added |



7 Apply Derogation(s)



Based on all the information collected in step 1-6, you may find yourself in a situation where you can apply one of the Blanket Derogations described in section 4.7.1. Or it may be necessary to apply for a written approval to derogate from a rule or procedure in the Procurement Manual and/or from a donor. For further information on derogations, please see section 4.7.

4.1.1 Preparing of Lots

Preparing lots is the process of grouping resources, which can potentially be procured from one contractor into groups/lots. The main purpose of this is to obtain efficiency and best quality and value for money. How to group resources into lots are foremost defined by the market structure. This means there are no fixed solutions to what a lot includes. Thus, it is important to obtain market knowledge via the market survey. In some contexts, it is possible to group many different resources into one lot and purchase from one contractor, because this is how the market is structured. In other contexts, the same resources may have to be purchased in several lots, because the suppliers in the market have more specific product groups and will not be able to deliver various resources. In the latter case, the Procurement Plan will include more lots than in the first case.

Example: The Market and Preparing of Lots

Most markets are structured in a way that does not allow us to purchase motorcycles and computers from the same supplier. Thus there would be two lots - one for the computers and one for the motorcycles. But in Cambodia a Procurement Officer found that he could purchase both the computers and the motorcycles from the same supplier, and thus in this contexts it was one lot.

When preparing lots start out by dividing the identified resources into the three Contract Categories of Supplies, Services, and Works. Once this is done group the resources into lots according to how the market is structured.

Please note that the preparing of lots are for the entire project period and independent of project activities, geography for implementation, and the number of donors and partners for the project. This means that if there are more than one donor for a particular project, it is not allowed to purchase donor-wise within the same project. If one donor is paying for one laptop and another donor is paying for another laptop, then this is to be considered one lot. The procurement will take place following a procedure, based on the total value of the two computers.

The preparing of lots has several advantages: It enables the suppliers/candidates to quote lower prices; it reduces efforts and costs of preparing the purchasing process; it saves time; it reduces overhead costs (frequent advertising, bookkeeping, logistics etc.); and it saves cost for the Contracting Authority.

Preparing of lots does though have some disadvantages also which shall be taken into account at the project planning stage, and the related costs shall be included in budget and the Procurement Plan. The disadvantages are: increased demand for storage facilities, increased demand for liquidity, and the requirement of careful planning.

NOTE: Artificial splitting of lots to avoid a stricter Procurement Procedure is not allowed.



Learn more about lots via e-training no 2: 'Working with Lots'. [LINK](#).

Example: The Preparing of lots**SUPPLY:**

Lot SUP 1) Field equipment:

Camp beds, sleeping bags, mosquito nets, tents, chairs, lamps.

Lot SUP 2) Computer equipment:

Laptop, printer, toner, UPS, router, keyboard.

Lot SUP 3) Workshop materials:

Pen, pencils, flip chart, files folders.

Lot SUP 4) Medical equipment:

Stretcher, oxygen tank, stethoscope, sterilizer.

Lot SUP 5) Generator:

Five diesel generators including delivery to site, installation, spare part package and after sales service for two years.

SERVICE:

Lot SER 1) Engineer:

Service Contract for supervision of the Works Contract (see below lot 7).

WORKS:

Lot WOR 1) Tube wells:

Works Contract for the delivery and construction of tube wells with pumps.

Sub Lots

In some cases we find that even though we can purchase several types of resources from one supplier (one lot), it may be pertinent to divide this lot into several sub lots in order to promote competition and obtain the best quality and value for money. By dividing one lot into several sub lots, we provide suppliers who cannot deliver all resources within the lot with the opportunity to quote for one or several of the sub lots. This may be useful in contexts where the market consists mainly of many small suppliers and in contexts where we wish to support project market development or in projects with a wide geographical implementation. Only one RFQ/RFP/Tender Dossier is issued, but several suppliers may be contracted because we obtain best quality and value for money per sub lot. Thus, sub lots may be cost saving and suppliers quoting lower prices per sub lot may be contracted, instead of the supplier quoting the overall lowest price. The disadvantage lies in having to administer multiple contracts. Please note that when dividing a lot into several sub lots the total value of the entire lot remains the same and the applicable Procurement Procedure stays the same.

4.2 MULTI PARTNER PROJECTS

In projects with several implementing partners it is important to organise procurement as early in the project phase as possible. Based on the project context, the procurement principles and donor demands, it is important to carefully consider the advantages and disadvantages of the three below scenarios and to select the most suitable one. The decision shall be clearly indicated in the Procurement Plan.

- **Shall each partner carry out its own procurement?**

This may be favourable in situations when the partners are situated in remote areas, resources can be sourced from the project community, the market is characterised by many small suppliers/candidates with limited capacity, and there is no economic advantage in making a joint purchase.

- **Shall procurement be carried out by one partner on behalf of the other partners?**

This may be favourable when an economic and logistic advantage in centralising procurement with one partner is existent. In an ECHO project in Uganda one of the partners was a small NGO with its head office in a remote town far from the capital. It was agreed that one of the other two urban based partners would procure the vehicle, water pumps and spare parts on behalf of the small NGO for reasons of low procurement capacity and remoteness.

- **A combination of the above two scenarios?**

This may be favourable when it is an advantage to make a joint purchase of some products e.g. technical equipment and to buy the remaining products separately.

The applicable Procurement Procedure is dictated by the total lot value and is therefore the same for all three scenarios described above.

Example: Applicable Procurement Procedure in a Multi Partner Project

Five partners need to procure a generator, each for a unit value of EUR 2,500, and the market has a supplier that can deliver all units. Consequently, the total value of the procurement is EUR 12,500 and the Negotiated Procedure shall be applied. If it is decided that each partner procure separately, the procedural consequence is that all partners shall implement a Negotiated Procedure, even though each partner only procure one generator. Please refer to the definition of lots in section 4.1.1.

Procurement in Multi Country Projects

Multi country projects may take place within both multi partner and consortium contexts. For projects with two or more countries, procurement may be split between the countries. In such cases and if required, it shall be highlighted in the project proposal that for economic purposes procurement will be carried out separately in each country. Please check specific donor requirements on multi country projects.

4.3 CONSORTIUM PROJECTS

A consortium project is defined as an entity with one lead agency and several other organisations partaking as consortium members. Both the lead agency and the consortium members may have several implementing partners. As a consortium project can be rather complex to deal with, and there are several types of organizational set-ups available for this type of a project, it requires significant planning, preparation, coordination and division of responsibilities between the consortium members.

The main procurement issues to be addressed during the project design phase are:

- Shall the lead agency's procurement guidelines apply and if not, what are the implications and risks?
- Considering the project context, shall the Procurement Committee be centralised under the lead agency or be undertaken separately by each consortium member and its partner(s) – or be a combination of both?
- Shall joint or individual Procurement Plans be developed?
- What are the resources required for carrying out consortium procurement (capacity building of members, implementing partners, monitoring etc.)
- What are the monitoring and reporting requirements of the lead agency?
- It is important to ensure that all decisions resulting from the above discussions are captured in the Memorandum of Understanding (MOU) summarising the commitments and responsibilities of each consortium member.

4.4 CASH GRANTS & VOUCHERS

The use of cash grants and vouchers in projects is recognised as a method to respond to a wide range of humanitarian needs. They offer greater choice to beneficiaries and help foster dignity in the receipt of assistance.

Vouchers

Vouchers fall under “cash transfer” programmes because a voucher is standing in for money and facilitates the purchase of pre-defined commodities, such as: food, non-food items, or services (milling, health care etc.). Vouchers can be exchanged in designated shops, fairs and markets. Vouchers are found in a printed or electronic form and are either commodity-, service-, or cash based.

Only commodity and service vouchers are considered procurement. For service or commodity vouchers the quantity and type of commodity or service is predefined and the purchase is tied to a limited number of preselected contractors. Program staff shall draft the list of required items, and the procurement staff shall conduct a market survey and apply Procurement Procedure to undertake supplier selection during implementation. A contract is established with the contractor(s), indicating the type, quantity, price and delivery conditions of the commodity or services. Appropriate Procurement Procedures shall be applied according to the contract value.

If vouchers are distributed electronically, the purchase of cell phones, tablets, services from cell phone companies, technological solutions, bank services etc. is procurement and is subject to Procurement Procedures according to contract value. Procurement staff may also undertake the procurement of the printed vouchers.

Cash vouchers are not considered procurement as it is equal to receiving money and thus not tied to a set of predefined commodities or services. Cash vouchers shall be handled as cash grants accordingly.

To obtain a better understanding of when and how to apply procurement procedures in a cash and/or voucher intervention, please see Annex GEN 19: Cash Grant VS Procurement Action.

Cash Grants

Cash grants are the provision of money to beneficiaries and since cash grants are tied to the provision of money, they are not considered procurement. However, if the cash grant distribution requires cell phones, tablets, services from cell phone companies, technological solutions, bank services etc. for its implementation, these contracts are considered procurement and are subject to a Procurement Procedure according to the contract value.

From a procurement perspective, it may be beneficial to give out cash grants in projects where it will be a challenge to implement competitive Procurement Procedures. This is often the case where products, e.g. livestock, food or non-food items will be procured from households, small village suppliers and markets in the project area.

4.5 COMMUNITY INVOLVEMENT

Community involved in procurement is defined as the participation of beneficiaries in the procurement process and is governed by the Procurement Procedures laid down in this Manual as well as donor requirements.

Use of Community Involved Procurement

Community involvement is not limited to products found in the rural areas, also referred to as project procurement. Community involvement in procurement is often used where the community has access to the market and can provide meaningful inputs on what to buy and where to buy. Typical resources are village products such as bamboo, paddy seeds, indigenous variety of seeds, sand, bricks, boats, nets, livestock, fishing and perishable goods etc.

Organising Community Involved Procurement

Community involvement can be organised in several ways and with varying complexity.

Some common approaches are:

- Community participation in identifying material needs and providing input to the Procurement Committee on technical specifications.
- Community participation in identifying material needs, formulating technical specifications and in addition identifying suppliers and collecting quotations in the market in collaboration with the Procurement Committee.
- Communities participating in identifying material needs, formulating technical specifications, identifying suppliers, collecting quotations and in addition negotiating the prices and making a decision on what to procure. This requires that the beneficiaries become members of the Procurement Committee.

NOTE: The legal relationship shall be between the partner organisation and the supplier/candidate. Consequently, it is only the partner organisation who can issue the Purchase Order/Contract.

Planning of Community Involved Procurement

Planning of community involved procurement is an integrated part of preparing the Procurement Plan. A project may involve one or several activities that include community involvement in the procurement process.

Before including an element of community involvement, please thoroughly consider the suitability and how to organise and manage this activity.

Consider the following:

- If more suitable alternatives such as cash grants or vouchers could fulfil the same purpose. See section 4.4 for more information on cash grants and vouchers.
- If a project activity requires beneficiaries to contribute with e.g. sand or bricks from their land, it is paramount to include a detailed description in the project proposal. Procurement from beneficiaries fall under Blanket Derogation: I. and the Simple Procedure is applicable irrespective of contract value (see section 4.7.1).
- Is there a market to meet the principle of competition?
- The need for capacity building of community participants in terms of the technical requirements of Procurement Procedures and record keeping.
- The substantial time needed to collect information by the community, and how to organise the procurement in the Procurement Committee etc.
- How to avoid conflicts of interest e.g. preventing Procurement Committee members from purchasing from family and friends and from becoming suppliers themselves.

NOTE: Beneficiaries cannot not use own cash subsidies to purchase a more expensive item than the one selected through a Procurement Procedure. A type of item that differs from the selection in the approved Procurement Plan will be deemed ineligible.

4.6 USE OF OWN VEHICLES

If a partner organisation wishes to utilize all or part of a vehicle rental budget line on a vehicle from their own existing fleet (as distinguished from commercial rental), only maintenance and running costs for such vehicles are eligible. Rental from own vehicle fleet is not allowed. The running costs for the vehicles are not considered to be procurement and shall thus not be included in the Procurement Plan. See section 4.10 for more information on running costs.

The daily or monthly rates for running costs shall be significantly lower than the current commercial vehicle rental rates indicating that the purpose is not profit making. It is therefore recommended to conduct a market survey establishing the current market price. This can be done by collecting three commercial quotations.

The vehicle in question shall be dedicated to this project only during the time period indicated to avoid a complex monitoring procedure. Proper records of the vehicle's activities on the project will need to be kept through use of a logbook (showing location and purpose of the vehicle's movements) as well as fuel receipts.

The following information shall be established at project start and filed to report:

- Details of vehicle i.e. model, registration number, etc.
- Purpose of the use of the vehicle.
- Time period for use of the vehicle.
- Daily/monthly charges including details of what this includes i.e. fuel, driver costs, maintenance, insurance etc.

For guidance on fleet management, and fleet management templates, access the DCA Logistics Manual: <https://www.danchurchaid.org/about-us/quality-assurance/procurement-and-logistics/logistics-manual>.

NOTE: The use of own vehicles falls technically outside procurement, but it is often monitored by procurement staff.

4.7 DEROGATIONS

All organisational or project procurement must comply with the guidelines of this Manual unless there are situations preventing this. For those situations it is possible to obtain an exemption or waiver from the guidelines. This can happen through the provision of a Blanket Derogation or a derogation by approval.

The Blanket Derogations are a set of pre-defined situations where the Manual grants derogations without any further approval from the organisation. Please refer below to section 4.7.1 for more information. For all other situations, where it is not possible to comply with the rules and guidelines of this Manual, a written derogation may be requested based on the six predefined justifications set out in section 4.7.2 Derogation by Approval.

All derogations shall always be properly justified and documented. If the justifications defined in section 4.7.1 and 4.7.2 cannot support a derogation, then procurement must be undertaken and documented according to the rules and guidelines in this Manual.

NOTE: Donors may have different justifications and approval requirements than those outlined in this Manual.

4.7.1 Blanket Derogations

In some situations it may not be possible to meet the requirements of this Manual and for the predefined situations outlined below, a Blanket Derogation is available.

A Blanket Derogation does not require prior approval, but must be documented in the procurement file with reference to the relevant section below and a justification on why the Blanket Derogation is relevant.

Procurement from a Single Supplier

For the following predefined situations, a Blanket Derogation is available to negotiate with and procure from a single supplier, irrespective of contract value:

- a. For emergency operations meeting 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 emergency also includes any situation, 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 emergency situation is declared by DCA or the donor, and cannot be based on circumstances attributed the Contracting Authority, such as delays due to bad procurement planning, or other delays to the procurement activities. If possible and pertinent, it is though always recommended to conduct a competitive Procurement Procedure to obtain better quality and value for money.

- b. Whenever no tenders or no suitable tenders/proposals/quotes have been submitted in response to a Negotiated or Open Tender Procedure after the initial procedure has been completed. This, provided that the original terms of the contract are not substantially altered.
- c. Whenever, due to a monopoly situation, the contract can only be awarded to a particular Supplier or Service provider.
- d. For additional contracts repeating services, works or supplies given to a contractor awarded an earlier contract in the same region provided that the terms of the original contract are not substantially altered. The period since the award of the first contract shall not be longer than one year.
- e. For additional supplies, works and services not included in the initial contract which, due to unforeseen circumstances, have become necessary for the performance of the activities, provided that the total amount of additional supplies, works or services does not exceed 50% of the value of the initial contract.
- f. For property rental contracts.
- g. For contracts on particularly advantageous terms, either from a supplier who is definitely winding up its business activities or from the receivers or liquidators of a bankruptcy, an arrangement with creditors, or a similar procedure.
- h. For purchases from ECHO recognized Humanitarian Procurement Centres (see section 4.8).
- i. For purchases where prices or rates are fixed by legislations or by regulatory bodies.

The procurement shall always be documented by a Purchase Order or a Contract (exempted for contracts below EUR 2000) with complete technical specifications/TOR, and proof of receipt of the supplies, services or works and invoice.

Other Exemptions

For the additional specific situations a Blanket Derogation is available for:

- j. Emergency operations and situations bringing the project staff and beneficiaries at risk, the project may refrain from posting a general advertisement in the beginning of the project.
- k. Situations where posting an Award Notice will bring project staff, beneficiaries the project or the winning contractor at risk, the project may refrain from posting an Award Notice for contracts above EUR 30,000.
- l. Purchases of products grown or produced by the beneficiaries, such as bamboo, timber, eggs, vegetables, saplings, jute, sand, gravel and stones, livestock etc. it is allowed to apply a Simple Procedure (as a minimum), irrespective of the contract value.
- m. Purchases of livestock from the general market it is allowed to apply a Simple Procedure (as a minimum), irrespective of the contract value.
- n. Online purchases of supplies up to a value of EUR 9,999 issuing of a Purchase Order is optional.

NOTE: If more restrictive Procurement Procedures are stipulated by the donor, these shall always prevail.

4.7.2 Derogation by Approval

In addition to the Blanket Derogations described above, situations may arise where it is necessary to request a derogation from the procurement guidelines of this Manual. Such derogations are subject to a written approval from the DCA Head of Procurement and Logistics and may be granted based on the following justifications, only:

- Security reasons
- Operational reasons
- Technical reasons
- Ethical reasons
- Cost or delays due to transport
- Legislation

NOTE: Some donors require that the written request to derogate from a rule are submitted to the donor with the project application.

EXAMPLE OF A SECURITY JUSTIFICATION

Due to an ongoing conflict, the supply route to the area of intervention was frequently cut off, resulting in delays and loss of goods. Consequently, it was not possible to take delivery from the supplier offering the best value for money. Therefore, the written request to derogate from the Negotiated Procedure, to purchase from the two available suppliers in the project area was granted.

EXAMPLE OF AN OPERATIONAL JUSTIFICATION

A new project involved the purchase of 5 motorcycles. The organisation already had a fleet of Yamaha motorcycles including a small stock of spare parts to handle the majority of motorcycle repairs. Based on this operational situation, the project requested permission to purchase brand specific Yamaha motorcycles under a competitive procedure. The written request to purchase brand specific Yamaha motorcycles was approved.

EXAMPLE OF A TECHNICAL JUSTIFICATION

For technical reasons, a project community mapping demanded highly advanced software for obtaining the required result. The thorough market research proved that only one type of software from one provider could meet the requirements. The written request to proceed with this single source technical product was approved.

EXAMPLE OF AN ETHICAL JUSTIFICATION

In a Humanitarian Response project, there was a requirement for tents for a refugee camp. After thoroughly assessing the market, it was found that only one supplier of tents could provide evidence of not using child labour. The written request for derogation to purchase from this single supplier was granted.

EXAMPLE OF A LEGISLATION JUSTIFICATION

For a Humanitarian Mine Action program, they were to procure the drug Morphine for first aid kits. Procurement of medicine requires that a Negotiated Procedure with only pre-qualified suppliers is carried out. However, because Morphine is a restricted drug, the National Drug Regulatory Authority in the country of operation would only allow the program to procure the drug from the government controlled Central Pharmacy. Thus the program had to apply for a written derogation to purchase the drug from the Central Pharmacy. The derogation was granted.

4.8 HUMANITARIAN PROCUREMENT CENTRES

A Humanitarian Procurement Centre (HPC) is an ECHO recognised entity specialized in buying emergency and health supplies and related services for use in humanitarian aid operations. These entities are always non-profit and either autonomous entities or specialised procurement and logistics departments of INGOs. The overall purpose of an HPC is to facilitate efficient and safe procurement of quality products and to reduce costs for Contracting Authorities. HPC's foremost provide services within stockholding, non-stockholding and/or consultancy services for the following products/services: pharmaceutical products, medical devices, veterinary, foods, water and sanitation, engine-ring, shelter, telecommunication, transport and administration.

As a HPC is a non-profit entity and overhead costs or handling fees are only to be charged by the HPC to cover its costs, never for profit making. The HPC is restricted to charge an admin fee of maximum 7% of the total direct costs, but the admin fee is often lower than the 7%. The contractual arrangements concluded with the HPC shall include the necessary provisions in this respect and shall allow the identification of the different costs. It is not necessary to request supplementary documentation relating to the relationship between the HPC and its suppliers e.g. Framework Contracts, insurance invoices, transport documentation etc. However, it is important to keep procurement documentation for the contractual relationship with the HPC.

When procuring from an HPC the Contract Category depends on the object to be purchased. Whenever purchasing a product, e.g. a pharmaceutical product, it is a Supply Contract and when purchasing a consultancy service, it is a Service Contract.

The HPC's have been approved by ECHO to deliver quality products at competitive prices. Consequently, when purchasing from an HPC it falls under Blanket Derogation': h. (section 4.7.1) and the Contracting Authority is allowed to negotiate with a single HPC, irrespective of the contract value. Please note that even though an ECHO recognised HPC assumes the responsibility of ensuring the required quality of products and respecting the appropriate procedures, it is always the responsibility of the Contracting Authority, via the contractual relation, to reassure that the HPC lives up to its responsibilities.

A register of ECHO recognised HPCs is accessible from:

http://ec.europa.eu/echo/files/partners/humanitarian_aid/HPC-register_en.pdf

Recommendation

For the procurement of medicine and medical devices it is strongly recommended to use an ECHO recognised HPC, to ensure quality in products. When buying from a HPC a Blanket Derogation (h.) is available to negotiate with and procure from a single HPC, irrespective of the contract value.

Entering a Contract with an HPC

There is no contractual relation between the European Commission and the HPC. The contractual relation is solely between the Contracting Authority and the HPC, and it is governed by the contract signed by them. When entering a contract with an HPC the templates for Supply or Service Contracts in the SER and SUP Annexes are to be applied. Adjust the contract to the specific procurement task and make sure that the following issues are carefully considered and implemented in the contract:

- The HPC shall ensure the identification/breakdown of the different costs in the invoice.
- The HPC shall be able to certify that it is recognised as an HPC by ECHO and follow ECHO recognised Procurement Procedures.
- The HPC shall show compliance to international standards and quality assurances. This is a requirement for the procurement of pharmaceuticals, medical devices and food.
- The HPC shall immediately inform the Contracting Authority if a situation occurs where ECHO may cancel the registry of the contractor as an approved HPC.
- Delay in shipment/demurrage charges as a result of missing documentation is the sole responsibility of the HPC, unless the delay is due to the fault of the Contracting Authority.
- Provide clear and thorough technical specifications and TOR to the HPC.
- Avoid additional costs such as bank guarantees or payment interests as these are non-eligible costs.
- When awarding the contract, mention the source of funding in the Purchase Order/Contract.

4.9 FRAMEWORK CONTRACTS

A Framework Contract is a long-term (maximum five years) contract concluded between the Contracting Authority and one or several contractors. It is used to define the general terms such as subject, technical specifications, price(s), duration, procedure for the award of specific contracts etc. for future procurement of a series of goods or services for which the precise quantity or scope and time of delivery cannot be defined at the outset of the contract. The specific conditions, quantity, date of delivery etc. of a given purchase shall only be laid down in a Purchase Order or Contract when the goods or services are needed. Contracts, under a Framework Contract, shall be placed in accordance with the terms laid down in the Framework Contract.

The Framework Contract helps reduce costs, improve efficiency in supply chain management and improves relations with reliable contractors. Framework Contracts may never be used in such a way as to prevent, restrict or distort competition.

Framework Contract does not need to be tied to a specific project or action and it can only be used for the purchase of service or supply (often it is related to office purchases). It is not possible to have a Framework Contract for works.

The decision to apply the Framework Contract to a series of purchases shall be made during the project proposal stage and integrated in the Procurement Plan.

Please ensure availability of an updated list of all Framework Contracts in force and all Purchase Orders/Contracts, placed on the basis of a Framework Contract shall be kept in the procurement file.

Framework Contracts with a Single Contractor

A Framework Contract can be entered with a single contractor. The applicable Procurement Procedure for the award of the Framework Contract with a single contractor shall be based on the Contract Category and the total value of the contract for the entire duration of the contract. Each specific contract under the Framework Contract is ruled by the general terms laid down in the Framework Contract and is not subject to reopening of competition.

Framework Contracts with Multiple Contractors

A Framework Contract can be entered with multiple contractors also called Multiple Framework Contracts. Each contractor has a separate Framework Contract with the Contracting Authority, but the contracts are concluded on identical terms. The applicable Procurement Procedure for awarding multiple contractors with a Framework Contract is based on the Contract Category and the total value of the contract for the entire duration of the contract. For multiple Framework Contracts the minimum of contractors shall be at least three.

The placements of Contracts/Purchase Orders are based on a list of priorities without reopening competition. The contractor who made the best quote or proposal is first priority. If that contractor is unavailable or not interested in the specific contract, the Contract/Purchase Order is then placed with the second contractor on the list and so forth. For this kind of multiple Framework Contracts the general terms laid down in the Framework Contract is applied to the award of the specific contract.

In sectors subject to rapid price changes or technological developments (computers, software, cell phones etc.), Framework Contracts without reopening of competition are not recommended. However, if a Framework Contract is entered, the Framework Contracts shall contain a stipulation either on a midterm review or on a benchmarking in order to adjust the general terms to developments in the sector.

Example: Applicable Procurement Procedure for a Framework Contract

Entering a five year Framework Contract for demining tools within an estimated contract value of EUR 50,000 per year, the total value of the contract is EUR 250,000, and the applicable Procurement Procedure is a Local Open Tender.

4.10 RUNNING COSTS

Running costs are in general defined as recurring purchases/costs, e.g. weekly or monthly costs, and are often related to office procurement. For running costs no Procurement Procedure applies, and purchases are not to be included in the Procurement Plan. Sound financial management shall however be applied, and the market shall be checked to ensure the principle of best quality for money. As a minimum an invoice shall be received and filed (often in finance files).

Example:

Running Costs (No Procurement Procedure Applies)

Rent and maintenance of office buildings, coffee/tea/water, representation gifts, fuel, maintenance of existing vehicles/ motorbikes/premises, repair of machinery, electricity, newspapers/magazines/books, cleaning articles, postage/packing, copy paper, stationaries, monthly payments to insurance, financial services (transfer charges, bank guarantees, etc.), public transport of personnel, flight tickets, accommodation, catering, internet and phone subscriptions, cleaning services, repeated small amounts of medicine e.g. headache pills etc.

Not a Running Cost (Procurement Procedures Apply)

Phones/mobile phones, computers, vehicles, tires, copy machines, vacuum cleaners, washing machines, furniture, new internet or insurance provider etc.

Whenever possible, it is recommended to procure running cost items and/or services as bulk purchases, applying a Procurement Procedure (according to the total contract value). This will ensure efficient use of staffs time and obtaining best quality and value for money. Note that whenever new offices are established and when service providers, such as travel agencies, internet providers etc. are sought for, it is considered procurement and thus subject to Procurement Procedures.

NOTE: If donor rules are stricter, these shall prevail.

4.11 ADVERTISEMENT & SOURCING

The obtainment of a broad methodology to source new suppliers and contractors is essential to create transparency, equal opportunity and to ensure that the best quality and price is obtained for any given Supply-, Service- or Works Contract.

4.11.1 General Advertisement

At the beginning of a project the Procurement Committee shall always ensure that a general advertisement of business opportunities is published to inform the community and potential suppliers and contractors about the business opportunities offered in the project. The general advertisement helps the Procurement Committee to source new suppliers and contractors, and it will generate competition, as well as promote transparency and accountability. When posting a general advertisement in the beginning of the project please Apply GEN 8: Template for Advertisement of Business Opportunities or SUP 11-3: Template for Advertisement of Business Opportunities for Procurement of Medical Devices.

This general advertisement is mandatory and shall be published in the relevant newspapers (which normally carry such notices). If newspapers, or other printed media, are not available or do not provide the best advertisement platform, a notice can also be posted on the internet, in a relevant trade journal, on a notice board in front of the office, at the market or in other relevant public places.

If relevant, carry out a small scale risk analysis on potential country or sector specific ethical risks and suppliers' ethical business performance e.g. risks of labour rights violations in the sector, CSR policy, safety policy, standards/certifications (or lack of) etc. The findings can be used to inform potential suppliers of specific requirements in the advertisement of business opportunities and later on include the criteria's in the RFQ/RFP/Tender Dossier (See section 1.2.1 for the implementation of the ethical procurement principles).

NOTE: General advertisement in emergency operations falls under Blanket Derogation: j. and thus, it is not mandatory to publish a general advertisement of business opportunities.

Visibility of the General Terms and Conditions and Code of Conduct for Contractors

In order to make future suppliers and contractors aware of the General Terms and Conditions (GTC) and Code of Conduct for Contractors it is recommended that these documents are made visible (e.g. on a notice board).

4.11.2 Sourcing

In addition to the mandatory general advertisement of business opportunities, the following list gives examples of common methods to source new contractors and general issues to consider when sourcing.

Internet

Suppliers/candidates can also be sourced via the internet, through search engines such as [Google](#) or relevant national or global portals.

Chamber of Commerce

Often the Chamber of Commerce will have a website with information of their members. Alternatively contact the Chamber of Commerce and ask for a list of suppliers of the required type of product.

Trade Organisations

Search the market for trade organisations. Posting a general advertisement of business opportunities and the Tender Notices in trade magazines/journals is an effective way of sourcing qualified suppliers and contractors. Contact the embassy(-ies) or representative(s). They will most likely have some useful information on trade organisations.

References From Other Organisations or Companies

Contact other organisations such as NGO's, UN agencies or NGO networking bodies and other companies and learn more about where they procure supplies, services and works.

Yellow Pages

Look at the yellow pages or similar online portals, as well as printed directories.

Trade Fairs or Exhibitions

Visit relevant trade fairs, such as: <http://www.medica-tradefair.com/> for medical devices.

Databases

It is advisable that organisations establish and maintain a supplier database for easy sourcing during the execution of the Procurement Procedures. At some offices and partner organisations, a supplier database is available from which suppliers and contractors can be identified.

Sourcing of Suppliers of Medical Devices

To source suppliers of medical devices, it is recommended that an advertisement of business opportunities is published at the beginning of the year or a project period. This advertisement shall invite suppliers of relevant medical devices to be prequalified and registered in the supplier database.

Requirements for suppliers of medical devices are described in 4.13.2, and the Template for Advertisement of Business Opportunities for Medical Devices is found in SUP 11-3.

Ethical Considerations

When sourcing new suppliers and contractors it is recommended to obtain general information on sector and country specific risks in order to identify which ethical issues could be of concern. The Procurement Committee shall ensure that a small scale risk analysis on the candidates ethical business performance e.g.

CSR policy, health policy, ISO or SA8000 certifications etc. is carried out. The findings shall be documented and integrated in the selection of suppliers and candidates.

Sourcing Challenges and Considerations

When sourcing new suppliers and contractors in different contexts, different challenges occur. In some contexts, suppliers/candidates may not be familiar with the procurement process and this way of doing business. In this case it is important to ensure that they are informed about the process and ensure that they fill in all the required information in the RFP/RFQ/Tender Dossier, sign and stamp the relevant pages and submit their bid according to the described requirements. Supporting and capacity building potential suppliers/candidates in attending a tender process aims at promoting competition and equal opportunity and thus enable the Contracting Authority to obtain the best quality and value for money. One way of doing this is to submit a 'cover letter' with the RFQ/RFP/Tender Dossier in which the main requirements to filling in the form is highlighted (see GEN 1-2: Guidance Letter to Suppliers for an example of a cover letter). Another tool is to conduct vendor trainings where e.g. a Tender Procedure and affiliated requirements are covered. In some contexts, a consequence of not supporting suppliers/candidates in the process may be that the Contracting Authority does not obtain any valid quotes and thus run the risk of delaying project activities. Always ensure that all contractors are treated equally and have access to the same information.

Another challenge may be that suppliers/candidates are not interested in participating in a tender procedure because they find it too complicated to submit a quote/proposal for a contract they consider to be of a very low value to them. One way of dealing with this is to keep good contact with the suppliers/candidates and explain them why they should submit a quote/proposal/tender. This could also be done in a cover letter submitted with the RFQ/RFP/Tender Dossier.

When sourcing internationally, carefully consider what effects this may have on the project and if procurement should alternatively be carried out in a national context. E.g. consider if there is a risk of delays due to transport implications to a particular destination. Is there a risk of theft during transport or in the port/airport? What is the timeframe for getting the goods through customs? Are there necessary import permits and/or tax/vat exemption in place? Etc.

4.12 TECHNICAL SPECIFICATIONS & TERMS OF REFERENCE

Technical specifications and Terms of Reference (TOR) define the characteristics required of a product, service or works taking into consideration the purpose for which they are intended. Thorough preparation of the technical specifications for supplies and works or TOR for services is extremely important for the ultimate success of the project.

Poorly drafted technical specifications or TORs may result in inefficient repetition of Procurement Procedures which will delay implementation. It may also result in the receipt of inadequate or incorrect equipment or services which can reduce the quality of the projects.

In the process of preparing the technical specifications and TORs, it is advisable to consult all relevant parties involved in the project proposal as well as ensure the necessary assistance from the required technical experts.

4.12.1 Technical Specifications

Precise and clear technical specifications are prerequisite for suppliers to respond realistically and competitively to the requirements of the Contracting Authority. Clear technical specifications also help the supplier to plan ahead and comment on the Contracting Authority's requirements. In addition, this may have a positive effect on suppliers' ability to comply with the ethical principles and standards.

Technical specifications, including the characteristics and requirements related to a product or works includes requirements of:

- Quality levels

- Environmental or social criterias e.g. certifications or equivalent proof of compliance
- Design for all requirements
- Levels and procedures of conformity assessment
- Fitness for use, durability and validity
- Safety
- Marking and visibility requirement
- Other dimensions, e.g. 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

Care shall be taken when drafting technical specifications to ensure that they are not restrictive to a specific brand. In technical specifications for materials, equipment, workmanship and other resources, international standards shall be used as much as possible. Where e.g. a national standard is referred to, the technical specifications shall state that other standards with a quality equal to the standard mentioned will also be acceptable.

For Works Contracts the Procurement Committee shall use an engineer or staff member with a technical background and experience in the field to draft the technical specifications. If an external engineer shall supervise the works, the technical specifications shall be drawn up in cooperation with him/her.

Examples of Technical Specifications

1. For a project, no technical specifications were requested for a hoe. As a result, the project ended up with hoes which were constructed of wood only (no metal parts) and the hoes broke after being used only a few times. Even for a small item as a hoe it is important to describe the length, thickness, material of handle, material of the hoe etc.

2. For a project the following technical specifications were applied to the procurement of Long Lasting Insecticidal Mosquito Nets:

- Material: 100% Polyethylene (Composition ISO 1833)
- Size: L 180 x W 160 x H 150 cm
- Color: White or grey
- Fabrication: Warp knitted
- Denier: DUPRO min. 100
- Net mesh size: Min 55 holes per inch²
- Weight: Max 45 g/m²
- Shrinkage: Max +/- 5% (ISO 5077/ISO 6330)
- Bursting strength: Min 350 kPa for net material and seems (ISO 3938-1)
- Fire safety: Class 1
- Insecticide: WHOPES recommended, Long Lasting (min 4 years)
- Insecticide concentration: WHOPES recommended

4.12.2 Terms of Reference

The service required for a project is often part of project activities, and it is probable that a TOR have already been drafted in another context than procurement. Personnel in charge of programme activities are often the ones in charge of drafting the TOR. It is important to incorporate all requirements related to the acquired service in the TOR in order to receive proposals which are able to fulfil the tasks and provide the best price and quality.

The following basic content of a TOR for services has been drawn up in accordance with the principles for project cycle management. The aim is to ensure that all issues are covered systematically and that key factors related to clarity of objectives and sustainability are thoroughly examined.

Content of TOR:

- Background information
- Contract purpose and expected results
- Assumptions and risks
- Scope of the services activities
- Timing, logistics and facilities
- Key experts and other personnel
- Subcontracting (if any)
- Reporting
- Environmental or social criteria's (e.g. certifications or equivalent proof of compliance)

The Request for Proposal (RFP) and the Tender Dossier for Service Contracts contain a template for TOR which indicates the minimum details to be provided. The TOR shall be adjusted to the specific task.



Learn more about drafting a TOR for Service Contracts via e-training no 6: 'Guide to SER 2: Request for Proposal'. [LINK](#).

4.13 PROCUREMENT OF MEDICINE & MEDICAL DEVICES

Procuring medicine and medical devices is complex, time consuming and requires knowledge of the market, the products required, the national drug regulatory system, occurrence of counterfeits, as well as knowledge on pre-certification¹¹ and pre-qualification requirements. It is very important to obtain such knowledge at the Project Planning phase in order to be able to plan the purchases correctly, ensure purchase of high quality products and to meet donor rules and requirements. Lack of knowledge and timely planning may result in delays or cancelation of activities, the purchase of counterfeits – with the risk of endangering beneficiaries' lives, wasted time and money, and cost being declared ineligible by donor. Thus, it is very important to set aside time to obtain the required information and ensure thorough procurement planning at the planning phase of a project. It should not be postponed until the implementation phase.

At all times, the aim of procuring medicine and medical devices is to ensure high quality products which are genuine, effective and safe for patients. Quality shall always be the number one priority when procuring medicine and medical devices. To ensure procurement of high quality and genuine products the starting point is always to appoint an ECHO recognised Humanitarian Procurement Centre (HPC).

ECHO recognized Humanitarian Procurement Centres

HPCs are non-profit entities specialising in buying emergency and health supplies. The HPC conducts efficient and safe procurement and assumes responsibility for purchasing high quality and genuine medicine and medical devices. Appointing an HPC reduces the risk of procuring counterfeits, which is a very important aspect of buying medicine and medical devices. Additionally, when buying from a HPC a Blanket Derogation to negotiate with a single HPC is available (Blanket Derogation h. in section 4.7.1) - irrespective of the contract value. Thus making the procurement process less time consuming. Procurement from a HPC will be more costly than procuring directly from other suppliers, but to ensure procurement of safe, high quality and genuine products, the appointment of a HPC is of high priority and cost should not be an issue. It is though very important to include all costs related to appointing a HPC in the budget at the project planning phase (admin fee, transport, custom clearance, insurance, etc.). For more details on HPCs, see section 4.8.1.

Pre-certification of Candidates and Pre-qualification of Products

To ensure high quality of products, and to respect patents and national regulations in the individual countries, it is paramount to abide by international norms for procurement of medical products. When procuring from a

¹¹ Pre-certified refers to a pre- approved supplier. A supplier is considered pre-certified when he/she has demonstrated to an international recognised certification body that its premises and facilities meet internationally recognised standards (based on WHO norms and standards), and that products are pre-qualified (based on WHO norms and standards) by an international recognised certification body.

HPC, this is ensured by the HPC. If it is not possible to procure from a HPC, it is always a requirement that the Contracting Authority shortlist only pre-certified suppliers who can deliver pre-qualified medicine and/or medical devices that meet international standards for production, storage, distribution and management. Suppliers shall always provide proof of the company's pre-certification and pre-qualification of the products they sell. If the Contracting Authority procures medicine and medical devices without appointing a HPC, the applicable Procurement Procedure is always the Negotiated Procedure – irrespective of the contract value.

Counterfeits

The biggest threat to purchasing safe quality products is counterfeit and sub-standard¹² medicine and medical devices. Counterfeits are an immense problem globally, but most common in developing countries. According to WHO about 100,000 deaths a year in Africa alone are linked to the trade in counterfeit medicines¹³. WHO defines a counterfeit medicine as a medicine *"which is deliberately and fraudulently mislabelled with respect to identity and/or source. Counterfeit medicine can apply to both branded and generic products and counterfeit products may include products with the correct ingredients or with the wrong ingredients, without active ingredients, with insufficient active ingredients or with fake packaging"*¹⁴. Counterfeits are prevalent across all categories of medicine and medical devices, ranging from cough medicine and headache pills to vaccines, controlled medicines, syringes or electrical equipment. Due to counterfeit failure to provide treatment, direct harming ability and the development of drug resistance, counterfeits and sub-standard products pose a genuine threat to recipients' lives and public health in general. Counterfeit medicines and medical devices are widespread in the medical market and especially in developing countries. States' weak and inadequate regulatory control systems, high levels of corruption and low law enforcement capacity, enables counterfeits to enter the distribution channels at no risk. In some developing countries, counterfeit medicines make up 50% of the market and up to 85% for specific product categories¹⁵. In countries with high levels of corruption, it is likely that counterfeits enter the market even though the National Drug Regulatory Authority¹⁶ is recognised as a stringent regulatory authority who officially apply WHO norms and standards when pre-certifying candidates and pre-qualifying medical products. Appointing a HPC reduces the risk of purchasing counterfeits significantly.

Read more about counterfeits: http://www.who.int/medicines/services/counterfeit/impact/ImpactF_S/en/

Large Scale Counterfeit Seize in Africa

In April 2013 a large scale operation to combat counterfeit medicine was carried out in 23 countries in Africa. During the operation 550 million counterfeit medicines (in 145 containers) with a market value of more than 275 million US dollars was seized and removed from the market. In Kinshasa, Democratic Republic of Congo, 10 tons of counterfeit medicine was seized during the operation. The 10 tons of counterfeit medicines would have been distributed to two thousand unlicensed retail pharmacies and five thousand pharmacists in Kinshasa – posing a significant threat to the health and wellbeing of the Congolese people¹⁷.

Safe Disposal of Medicines and Medical Devices

Recalled, damaged, unwanted or expired medicines (incl. veterinary medicines) or medical devices shall always be disposed of in a safe and appropriate manner, which lives up to national regulations and international best practices. Medicine shall always be treated as pharmaceutical waste and not as regular waste. Some medical devices can be recycled or treated as regular waste.

Dependent on the product in question, different methods for safe disposal exist. Some products may be returned to the contractor, some may be handed over to government regulated pharmacies and some

¹² See <http://www.who.int/medicines/regulation/ssffc/definitions/en/> for the definition of a substandard medicine.

¹³ <http://www.un.org/africarenewal/magazine/may-2013/counterfeit-drugs-raise-africa%E2%80%99s-temperature>

¹⁴ <http://www.who.int/medicines/regulation/ssffc/definitions/en/>

¹⁵ World Health Organization (2006:3); "Combating counterfeit drugs: A concept paper for effective international cooperation,"

¹⁶ A National Drug Regulatory Authority is a general term used to refer to an authority under the Ministry of Health which is responsible for the regulation and administration of the laws on medicines and medical devices.

¹⁷ <http://www.iracm.com/en/2013/06/operation-biyela-record-seizure-of-illicit-medicines-in-africa/> and www.asrames.com

products will require disposal via the National Drug Regulatory Authority. National and regional rules shall be adhered to and the Ministry of Health or the National Drug Regulatory Authority shall be contacted to obtain national guidelines on disposal of medicines and medical devices. If possible, disposal should always be undertaken in conjunction with the National Drug Regulatory Authority, but in some countries there is no, or a limited, legal framework in place and therefore no guidelines and official channels to dispose and destroy medicines and medical devices. Under such circumstances, it is advised to consult WHO or other relevant UN agencies or INGOs in the country of operation for guidance and information on how to handle safe disposal of medicine and medical devices.

Read more about what medical products are considered pharmaceutical waste and to be disposed of via official channels, and what products can be recycled or treated as regular waste in the WHO guideline (section 3.4 - 3.7): http://www.who.int/water_sanitation_health/medicalwaste/unwantpharm.pdf

Please note that some expired or damaged medicine and medical devices are considered hazardous waste when transferred across borders and are regulated under the Basel Convention on the Control of Trans boundary Movements of Hazardous Wastes and their Disposal¹⁸.

4.13.1 Procurement of Medicine

Medicine, also referred to as pharmaceuticals, is the term used to define medical products comprising chemical substances with intended use for medical diagnosis, cure, treatment, or prevention of disease. Examples of medicine are: headache and Malaria pills, vaccines, Oral Rehydration Salts (ORS), Penicillin, Morphine, eye drops, Insulin, etc.

The procurement of medicine is complex and time consuming and requires thorough planning and adherence to a strict Procurement Procedure during implementation. For the planning and implementation of procurement of medicine, it is mandatory to follow the step guide in SUP 11-1.

Throughout the planning and implementation process it is important to keep all relevant documentation in the procurement file and make Notes to File on progress, decision making, findings, challenges, etc.

4.13.2 Procurement of Medical Devices

The term 'medical device' refers to an instrument, apparatus, implement, machines, implants, invitro reagent or a component that provides a diagnosis, cure, mitigation, treatment, or prevention of a disease or condition, which does not achieve its intended use by being metabolised or through a chemical reaction.

Examples of medical devices are: walking stick, surgical instruments, contact lens lubricants, condoms, stethoscopes, syringes, needles, bedpans, dressings, bandage, medical test kits, wheelchairs, hearing aids, implantable devices, Magnetic Resonance Imaging (MRI), and Computed Tomography Imaging (CTI).

To find out if a product is defined as a medical device, it is possible to consult the FDA medical device database: <http://www.accessdata.fda.gov/scripts/cdrh/cfdocs/cfPCD/PCDSimpleSearch.cfm>. The database is administrated by the US Food and Drug Administration and uses internationally agreed descriptions of medical devices from the Global Medical Device Nomenclature (GMDN) system.

Like procurement of medicine, the procurement of medical devices is complex, time consuming and requires thorough planning and adherence to a strict Procurement Procedure during implementation. It is mandatory to follow the step guide in SUP 11-2 for the planning and implementation of procurement of medical devices.

NOTE: Throughout the planning and implementation process, it is important to keep all relevant documentation in the Procurement File and make Notes to File on progress, decisions making, findings, challenges, etc.

¹⁸ <http://www.basel.int/Home/tabid/2202/mctl/ViewDetails/EventModID/8295/EventID/443/xmid/8052/Default.aspx>

4.13.3 Procurement of Veterinary Medicine

Subject to the national veterinary drug regulations the Procurement Committee shall strive to assure best veterinary practices¹⁹ and that product(s) comply with international standards on safety, quality and efficacy for veterinary medicine. This is to protect the health of both animals and consumers of animal products and meat. Please be aware that the risk of purchasing counterfeit veterinary medicines is high in developing countries. It is always recommended to consult a veterinary practitioner or qualified animal welfare expert when procuring veterinary medicines.

For the procurement of veterinary medicine the applicable Procurement Procedure shall be established in accordance with the rules and procedures applicable to supplies, described in chapter 6 of the Procurement Manual.

To ensure the procurement of genuine and safe products the suppliers shall as a minimum be registered with the relevant regulatory authority²⁰ and the product shall be licensed by this authority.

As a minimum, the following certificates shall be obtained:

- Proof of valid registration with the National Regulatory Authority
- Valid marketing authorisation or product license from the National Regulatory Authority for the product offered.

If possible and pertinent, the following additional certifications shall be obtained:

- ISO 9001:2000 – Quality management systems or equivalent from contractor and manufacturer.
- GMP (Good Manufacturing Practice) certificate from manufacturer

The Procurement Committee shall always verify the certificates received from a supplier. Make sure to check the certificates for validity, name and address of the supplier and that the delivered medicines correspond with the certificate. Certificates shall always be filed in the procurement file.

Please take the necessary steps to ascertain that the quality of the product and the shelf life is sufficient upon delivery to the Contracting Authority. E.g. is the packaging broken or damaged? Is the spelling or logo of the product name correct or could the product be a counterfeit? Etc.

Veterinary medicines shall always be subject to appropriate and safe storage and disposal.

Fatal Consequences of Purchasing Veterinary Counterfeits

For a project in Africa veterinary medicine was purchased to vaccinate app. 300 pregnant goats to ensure the survival of their kids. Proper measures was not taken to ensure the quality of the vaccines and consequently app. 150 goats and their kids died due to the vaccines being toxic counterfeits.

4.14 PROCUREMENT OF FOOD

The following special procurement rules and procedures applicable for the procurement of food are only applicable when food belongs to the category of food for human consumption (fresh and dry food)²¹. Included in this food category are also fortified products such as fortified or high calorie foods for prevention or avoidance of malnutrition.

¹⁹ <http://www.fve.org/news/publications/pdf/gvp.pdf>

²⁰ In most countries the regulation of veterinary medicines is under the National Drug Regulatory Authority.

²¹ The purchase of commodities such as wheat or corn/maize intended for agricultural purposes or for animal consumption is to be done in accordance with the general applicable rules and procedures. Note that USAID have special requirements on this issue.

Sourcing of Food Suppliers

Whenever possible and pertinent, procurement of food in the country of operation or neighbouring countries shall be given priority. It is vital to consider the context in which the action is implemented and to make sure that the procurement does not disturb the regional markets significantly.

Prior to the procurement of food aid, it is vital to acquire evidence based on regional market analysis that regional procurement will not induce market distortions that could adversely affect vulnerable populations. Additionally, the food products shall as much as possible match the nutritional habits of the beneficiary population.

Quality and National Legislation

The characteristics of the products and their packaging shall respect quality standards laid down in the national legislation of the country of origin and/or the country of destination whichever legislation has the higher quality standard. Where legislation does not exist, internationally recognized standards such as Codex Alimentarius²² could be taken as reference to the extent possible.

Procurement of Fresh Food

For procurement of fresh food, flexibility in dividing the fresh food procurement into several lots and with different contracts with various suppliers exists. This flexibility is introduced with consideration to the fact that fresh food is often seasonal, it is often purchased locally and from a variety of suppliers and the value of a contract is often of low or medium value (Simple Procedure or Negotiated Procedure). Splitting the procurement of fresh food into several lots may widen the variety of products, limit the risk of price inflation, reduce overall costs and support the development of the regional/national market economy. Each one of the fresh food lots will be considered individually, and not aggregated, in order to establish the applicable threshold.

Note that this flexibility in dividing procurement into several lots does not apply to the purchase of other types of food e.g. canned food, dry food, precooked food etc. Also note that procurement of fresh food grown or produced by beneficiaries allows for Blanket Derogation I. to be applied and thus the Simple Procedure can be applied (as a minimum) irrespective of contract value.

Specifications in the RFQ or Tender Documents

For procurement of food the technical specifications shall be supplemented by the following specifications:

- The net weight and cubic meter measurements (m3) of the lots.
- The proposed price per net metric tonne of the product at the place of delivery.
- When of relevance, the transport costs from the place of loading to the place of delivery.
- The net quantity of the products offered shall be specified by the Supplier.
- The delivery deadline/timeframe e.g. where storage facilities at the delivery place are only available from a certain date.
- The accepted deviations in weight, quality and quantity and procedures for establishing reductions of price if accepted deviations is exceeded or if supplies are delivered after the agreed delivery date. Establish conditions for deliveries beyond the contracted delivery date or period.
- When required, apply the contractual Incoterm and the applicable Incoterm edition. When the Incoterm, specified in the Tender Notice, obliges the Supplier to take out a transport insurance policy, this insurance shall be for at least the awarded contract amount and shall cover all risks associated with carriage.
- Requirements to packaging and marking.

²² http://www.codexalimentarius.net/web/index_en.jsp

Procurement of Food above EUR 300,000

When awarding a food supply contract with a value higher than EUR 300,000 a monitoring agency shall be responsible for verifying and certifying the quantity, quality, packing and marking of supplies. The necessary provisions in the tender and contractual documents shall be included in order to assure the right of access and monitoring of the Monitoring Agency. If a monitoring agency is used on a regular basis, it is recommended to conclude a Framework Contract.

The award of contracts to monitoring agencies shall be in accordance with the applicable procedure for Service Contracts and shall be awarded prior to the award of the food supply contract. The Monitoring Agency shall never be involved in the selection of suppliers.

Buying from an HPC

When procuring food from an ECHO recognized HPC, the HPC assumes the responsibility of ensuring the required quality and respecting the appropriate procedures. However the relationship shall always be monitored to reassure that the HPC lives up to its contractual responsibilities. When appointing a HPC the Simple Procedure applies and the Contracting Authority is allowed to negotiate with a single HPC, irrespective of the contract value. The HPCs have already been approved by ECHO to deliver quality products at competitive prices (for more information on HPCs, see section 4.8.1).

Therapeutic Food

Therapeutic food is special nutritional food with a therapeutic purpose of addressing moderate or acute malnutrition. This category includes: therapeutic milk formulas, nutritional pastes, nutrient-fortified oat bars, etc. Therapeutic food to address moderate malnutrition is considered food supplies and shall be procured in accordance to the special rules and Procurement Procedures applicable to food supplies (see section 6.5).

Therapeutic food to address acute malnutrition is considered medical supplies and shall be procured according to the special rules and procedures for medical supplies (see section 4.13.1)

4.15 PROCUREMENT IN EMERGENCY PROJECTS

Procurement in emergency situations falls under Blanket Derogation a. and j. (See section 4.7.1 for more info on the two Blanket Derogations). Consequently, no competitive procedure is applicable and it is allowed to negotiate with and procure from a single supplier, irrespective of contract value. Emergency projects are also exempted from applying the general advertisement of business opportunities in the beginning of the project (GEN 8). Note that the emergency situation has to be declared an 'emergency situation' either by the donor or DCA, and cannot be based on circumstances attributed the Contracting Authority, such as delays due to bad planning. If possible and pertinent, it is though recommended to conduct a competitive Procurement Procedure for high value contracts, to obtain the best quality and value for money.

Procurement in emergency projects shall be documented by a Purchase Order/Contract (exempted for contracts below 2000 EUR) with complete technical specifications/TOR, proof of receipt and an invoice.

4.16 ONLINE PROCUREMENT

Online procurement is the business-to-business purchase and sale of supplies and services over the internet. Typically, web sites allow qualified and registered users to look for buyers or sellers of goods and services. Depending on the approach, buyers or sellers may specify prices or invite bids. Transactions can be initiated and completed online, but be aware of fake internet shops and counterfeits available on the internet. Ongoing purchases may qualify customers for volume discounts or special offers.

For online purchases below EUR 10,000 it is not a requirement to issue a Purchase Order. To minimize commercial risks it is though always recommended.

5 DOCUMENTATION & MONITORING

Ensuring that the procurement documentation is properly compiled, filed and stored is a crucial part of the procurement process. Incomplete procurement documentation may result in repayment of funds.

Sound management of procurement documentation begins at the project outset and ensures that all procurement is well documented throughout the entire project period.

5.1 PROCUREMENT FILES

Keeping proper record of all relevant procurement documentation from the outset of a project is a vital part of procurement. The procurement files are the main tool for this purpose, and it is the responsibility of the Procurement Committee to maintain proper compiling and record keeping of procurement documents as per the below instructions. Moreover the Procurement Committee shall decide upon the location of the physical procurement files during the project period and after receipt of the final payment, keeping in mind the accessibility and safety of the files in case of an audit.

Some donors require files to be kept in both physical and electronic/scanned files. For all procurement of Supply, Service and Works, procurement files shall be compiled with the following documentation (as well as any additional relevant documentation):

General Procurement File

- Application/Grant Contract
- Procurement Plan, updates and budget
- Donor communication (procurement related - e.g. derogations and VAT issues)
- Signed Declaration of Impartiality and Confidentiality
- General advertisement of business opportunities and supplier responses
- Completed GEN 18: Procurement Documentation Template
- General Note to File – when relevant

Simple Procedure Procurement File

- Simple Procedure Quotation form/Copy of procurement request/RFP (optional)
- Proof of minimum 3 prices/quotes (Quotations/Note to File)
- Evaluation/Justification for selection of contractor
- Purchase Order/Contract (optional below EUR 2,000)
- Copy of invoice (from finance)
- Shipping documents
- Proof of receipt of the supplies, services or works
- Note to File – when relevant

Negotiated Procedure Procurement File

- List of Suppliers/Candidates
- Copy of RFQ/RFP
- Quotations
- Evaluation Grid
- Purchase Order/Contract
- Letter to Unsuccessful Suppliers/Candidates
- Copy of invoice (from finance)
- Shipping documents
- Proof of receipt of the supplies, services or works
- Award Notice (optional below EUR 30,000)
- Note to File – when relevant

Open Tender Procurement File

- Copy of Tender Dossier
- Tender Notice
- Received tenders
- Tender Receipt Form
- Questions and answers
- Tender opening minutes (incl. Checklist, List of Participants, Tender Opening Form)
- Evaluation Grid
- Contract and Letter of Acceptance
- Letter to Unsuccessful Suppliers/Candidates
- Copy of invoice (from finance)
- Shipping documents
- Award Notice
- Proof of receipt of the supplies, services or works
- Note to File – when relevant

The Note to File

For accountability purposes it is recommended that the procurement responsible staff keeps a 'logbook' in the form of a Note to File, for each procurement procedure and on general procurement related issues in the project (e.g. the steps that has been undertaken, delays, decisions, market challenges etc.).

The Note to file is a useful document to bridge the gap between what is documented in the procurement file and what actually happened as well as provide an understanding of the context which the procurement takes place. In addition, the Note to File is helpful to capture pricing collected from suppliers in person or through telephone conversations under the Simple Procedure. Any additional information from the Procurement Officer or committee may be included in a Note to File.

The information gathered in the Note to file enables the Procurement Committee, the procurement responsible staff and future auditors to track the procurement process for each purchase.

NOTE: Whenever a Procurement Procedure has multiple orders or deliveries, please prepare a reconciliation sheet, which lists all the invoices, proof of receipt, payments etc. for that particular Procurement Procedure.

5.2 PROCUREMENT MONITORING

Procurement monitoring may take place as frequently as is possible and practical during the project implementation period. Ideally, the first monitoring visit would take place in the first few months of implementation in order to identify any potential problems at an early stage. Interim reporting and project completion stages are also ideal times for monitoring. It is, however, mandatory to undertake monitoring at least *once* during the project eligibility period. The key tools in procurement monitoring are the project Procurement Plan (GEN 7-1) and Procurement Documentation Templates (GEN 18). Both should be applied and updated during the monitoring process.

The Procurement Documentation Template in GEN 18 (which matches the documentation listed in chapter 5.1), is a mandatory tool to identify the documentation available.

Procurement monitoring is usually carried out by the contract holder with the donor, and ideally once or twice a year. For consortia projects, monitoring will, in some cases, be carried out by the Lead Agency and in other cases it will be each individual consortia partners responsibility to monitor own and implementing partners procurement. This depends on the organisational set-up of the consortia project.

Ideally, procurement staff shall carry out procurement monitoring, but when pertinent, the finance and programme staff may also carry out the tasks. To create synergy, it is an advantage to carry out procurement monitoring jointly with finance and programme monitoring.

What to look for in Procurement Documentation

In addition to checking the physical documentation against the documentation listed in GEN 18, also check the quality of the documents, for example:

- Use the GEN-18: Procurement Monitoring Template to indicate which documents are on file and those that may be missing. Issue comments in GEN 18 on what is missing and why.
- Are all the required documents in the correct place in the procurement file? If not, locate them and copy them to the file. Should some files be missing, establish why and ensure that a Note to File is drafted.
- The implementing partner organisation has to gather any missing/additional documents and insert these into the procurement file (often to be complied from Finance Department, Field Offices, etc.).
- Have the correct Procurement Procedures been applied? If not, establish why and ensure that a Note to File is drafted to explain the error.
- Is a Procurement Committee in place? Who sits on the Committee? Are the Declaration of Confidentiality and Impartiality (GEN 2-1) signed by all the Procurement Committee members?
- Do the dates on all documents match with the rest of the documentation for any given lot/project?
- Are all documents signed by the required individuals?
- Do the technical specifications/TOR of the procured supplies/services match those in the RFQ/RFP?
- Are the documents drafted in English? If not, the most important sections should be translated into English, e.g. type of document, names of items, specifications, quantity, price, total value etc.
- Is there an Evaluation Grid or minutes of the evaluation meeting, signed by the Procurement Committee members? Is the reason for choice of contractor clearly stated and in compliance with the award criteria's in the RFQ/RFP/Tender Dossier? If not, the Evaluation Grid may need to be updated.
- Is the value of a contract identical on all documents and does this match the Procurement Plan? If not, there may be a very valid reason, but this needs to be clarified through a Note to File.
- Is there a signed contract/Purchase Order? Does this include GTC and Code of Conduct for Contractors?
- Is there a copy of an official invoice? If not, it may suggest that supplier is not tax-registered.
- Is there a 'proof of receipt' of the supplies/services/works? Ideally, these should be in the form of supplier's Goods Delivery Note as opposed to the Contracting Authority's Goods Received Note (SUP 13), but it can also be a signed Note to File.
- Ensure that any necessary Note to Files are written, signed and dated by the appropriate staff members. (A Note to File should be used whenever there has been an unexpected aspect to the procurement of a particular lot, where the normal documentation is not self-explanatory).
- Upload the Procurement Plan, Procurement Documentation Template, Note to File and any other relevant documentation, correspondence etc. to the relevant project folder.
- Arrange for Contract Awards (> EUR 30,000) to be published if not already done so.

5.3 PROCUREMENT FINALISATION

Upon procurement completion and before finalisation of the final donor report, the Procurement Committee shall ensure that the Procurement Plan is updated and harmonized with the Final Narrative and Final Financial Report. It is not uncommon that the information in the Procurement Plan differs from what was initially planned and the 'Actual Procurement' section in the Procurement Plan shall then be updated accordingly. In this way, the final Procurement Plan reflects both the planned procurement, the actual procurement and the changes that have occurred during the project period. It is also at this stage that GEN 18: Procurement Documentation Template is finalised and filed.

Storage of Procurement Files

The Procurement Committee shall ensure that all procurement documentation are kept for at least five years after the final payment and ensure that the files are kept in a safe and accessible place, ready for audit.

NOTE: Some donors require documentation to be accessible for a longer period than five year and some donors require files to be kept in both physical and electronic/scanned files.

Final Procurement Plan

- Finalise the 'Actual Procurement' section of Procurement Plan (actual Procurement Procedure, contractor selected, actual quantity, contract value and voucher/transaction no.).
- Ensure that Final Procurement Plan matches Final Financial Report. Check that the Procurement Plan matches (in Euro values) with Final Financial Report and Transaction List. There are often anomalies between the two due to exchange rate variations, etc.
- Ensure that Final Procurement Plan reflects Final Narrative Report. The Procurement Plan must indicate procurement of supplies, services and works that relates to the budget and the stated activities of the project.
- Ensure that any procurement related information, as required by the donor, is included in the final report and submitted timely.

Audit Preparation

In general, if the tasks described in section 5.1-5.3 has been completed correctly and thoroughly the procurement documentation is ready for an audit. It is important that this is ensured during project implementation and latest at project finalisation.

When selected for donor procurement audit:

- The contract holder with the donor shall contact the involved implementing partner organisations for the purpose of gathering and forwarding documentation to the contract holder with the donor. It is the original files which shall be forwarded, unless the donor specifies otherwise.
- It is the responsibility of the implementing partner to assemble and forward all required documentation, following the sequence of the Procurement Plan, Procurement Documentation Template (GEN 18) and as set out in Chapter 5.1 of this Manual, to the contract holder with the donor.
- The contract holder will quality assure the received files and ensure that all the required documentation is in place.
- If the contract holder receives files with missing documentation this documentation shall be retrieved from the implementing partner organisation.
- The original files received by the contract holder with the donor, shall be returned to the implementing partner or own country office after the audit is completed. This will depend on the organisational structure of the contract holder with the donor and individual agreements with the implementing partner organisation.

6 SUPPLY CONTRACTS

This chapter provides a step by step guide for Procurement Procedures applicable to Supply Contracts according to contract value.

Supply Contracts cover the purchase, operational leasing, rental or hire of various products (including rent of vehicles, equipment, venues and property, with or without an option to buy). The delivery of products may in addition include siting, installation and maintenance.

| SUPPLY | | |
|-----------------------|---------------------------|-----------------|
| EUR 300 - 9,999 | Simple Procedure | See section 6.1 |
| EUR 10,000 -149,999 | Negotiated Procedure | See section 6.2 |
| EUR 150,000 - 299,999 | Local Open Tender | See section 6.3 |
| Above EUR 300,000 | International Open Tender | See section 6.4 |

Ethical Considerations

The procurement of supplies may involve specific ethical risks related to the production, handling and/or transport of products which negatively influence employees' labour rights and companies' social and environmental performance. In order to avoid or prevent ethical risks, it is important to consider which risks are related to the purchase of a specific product from a specific sector. It is recommended to include ethical considerations in the market survey and to conduct a small scale research on the suppliers' ethical business performance in the sourcing process and further make procurement decisions which seek to avoid or manage the identified ethical risks. Also consider how internal purchasing practices may influence suppliers' ability to meet ethical criteria and standards e.g. short lead times, changes to specifications and negotiating prices. Please ensure always to communicate the ethical principles and standards to potential suppliers either by personal contact or by publishing the Code of Conduct for Contractors. For more information on ethical procurement principles and implementation, see section 1.2 and 1.2.1.

6.1 THE SIMPLE PROCEDURE

The Simple Procedure is the simplest Procurement Procedure. This procedure is applicable within the threshold of EUR 300 - 9,999.

For the Simple Procedure it shall be documented that the price of the procured product corresponds with, or is lower than the market price (meeting the technical specifications). To establish this you can either obtain three verbal or written quotations, search the internet, or refer to recent contracts. Make sure you have at least three prices for comparison and all verbally obtained prices are captured in a Note to File kept in the procurement file.

Before the procurement process is initiated, please make sure that all members of the Procurement Committee sign the Declaration of Impartiality and Confidentiality (GEN 2-1).

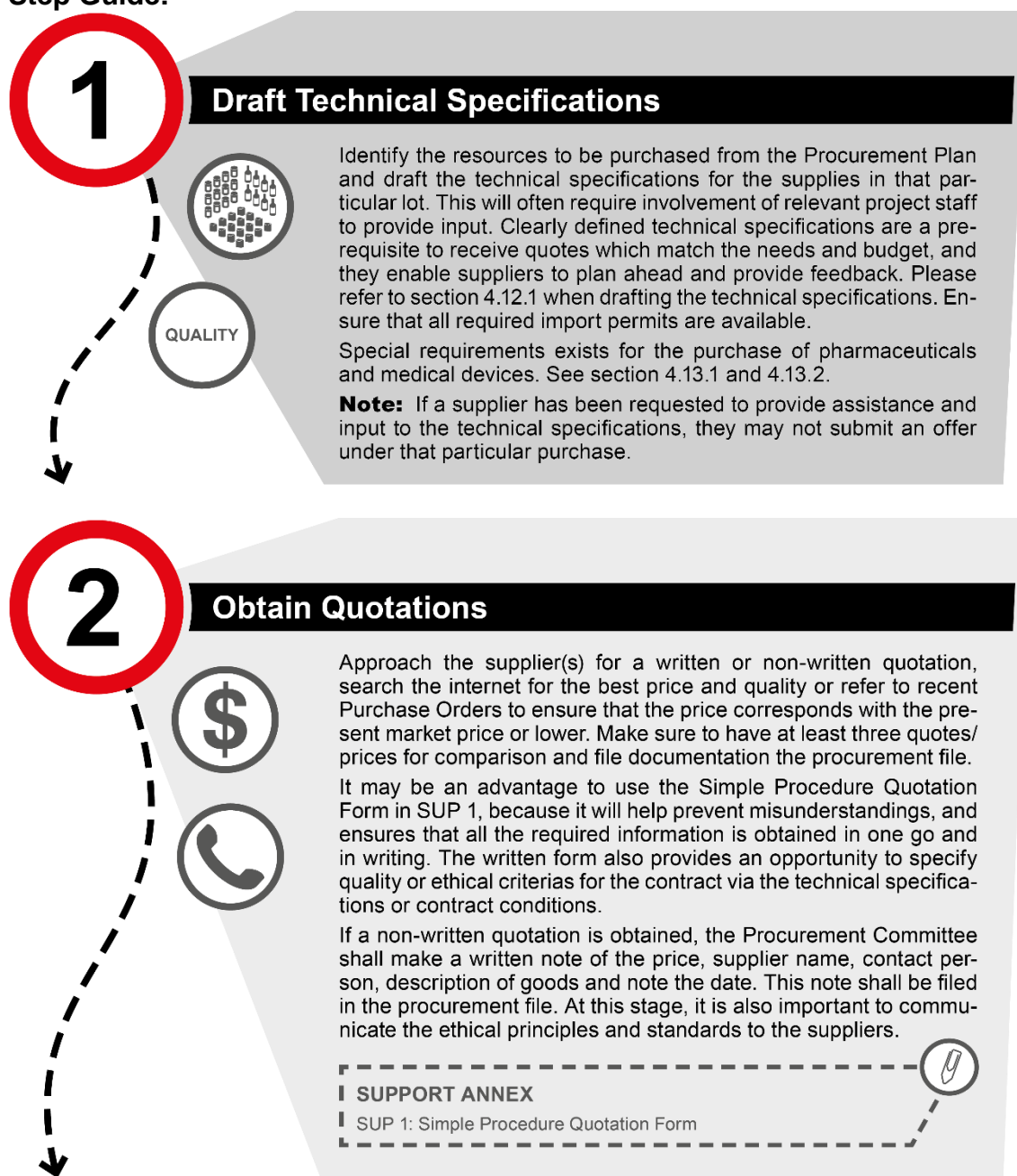
Also, please note that it is mandatory to publish a general advertisement of business opportunities (GEN 8) in the beginning of a project. This advertisement may also contain information on other business opportunities required for the project and shall be posted in the newspaper, on a notice board or in other public places before the procurement process is initiated. For more information on the general advertisement of business opportunities, see section 4.11.1.

NOTE: Special procedural and quality assurance requirements exists for the purchase of medicine and medical devices. Please go to section 4.13.1 (medicine) and 4.13.2 (medical devices).

Purchase Order below EUR 2,000

It is mandatory to issue a Purchase Order for procurement above the value of EUR 2,000. For procurement below EUR 2,000 it is optional to issue a Purchase Order but an invoice shall in all cases be received and filed. As this lower boundary allows for more flexibility in issuing Purchase Orders under the value of EUR 2,000 it is important to be aware of the risks involved. In order to minimise risks and ensure that suppliers are aware of the GTC and Code of Conduct for Contractors, it may in some contexts, be advisable to issue a Purchase Order, even for purchases of a value less than EUR 2,000. Please ensure that this does not conflict with donor requirements.

Step Guide:



3

Evaluate and Select Supplier



Evaluate the quotes received/collected prices and select the supplier offering the best price meeting the technical specifications. Issue a Note to File with justifications for selecting the supplier. For evaluation purposes it may be useful to apply the Evaluation Grid also used for the Negotiated Procedure (SUP 4).

SUPPORT ANNEX

SUP 4: Evaluation Grid for Negotiated Procedure

4

Issue Purchase Order



After selecting the best offer a Purchase Order shall be issued by the Procurement Committee, applying SUP 6. Check if the Purchase Order has to be adapted to national legislation, traditions or requirements. Never delete or make alterations to the General Terms and Conditions (GTC). Incorporate all agreements reached with the selected supplier in the Purchase Order.

The Purchase Order shall be forwarded unsigned to the selected supplier and returned signed to the Contracting Authority. Only thereafter shall the Purchase Order be signed by the Contracting Authority. Signing the Purchase Order creates a legally binding document for both parties.

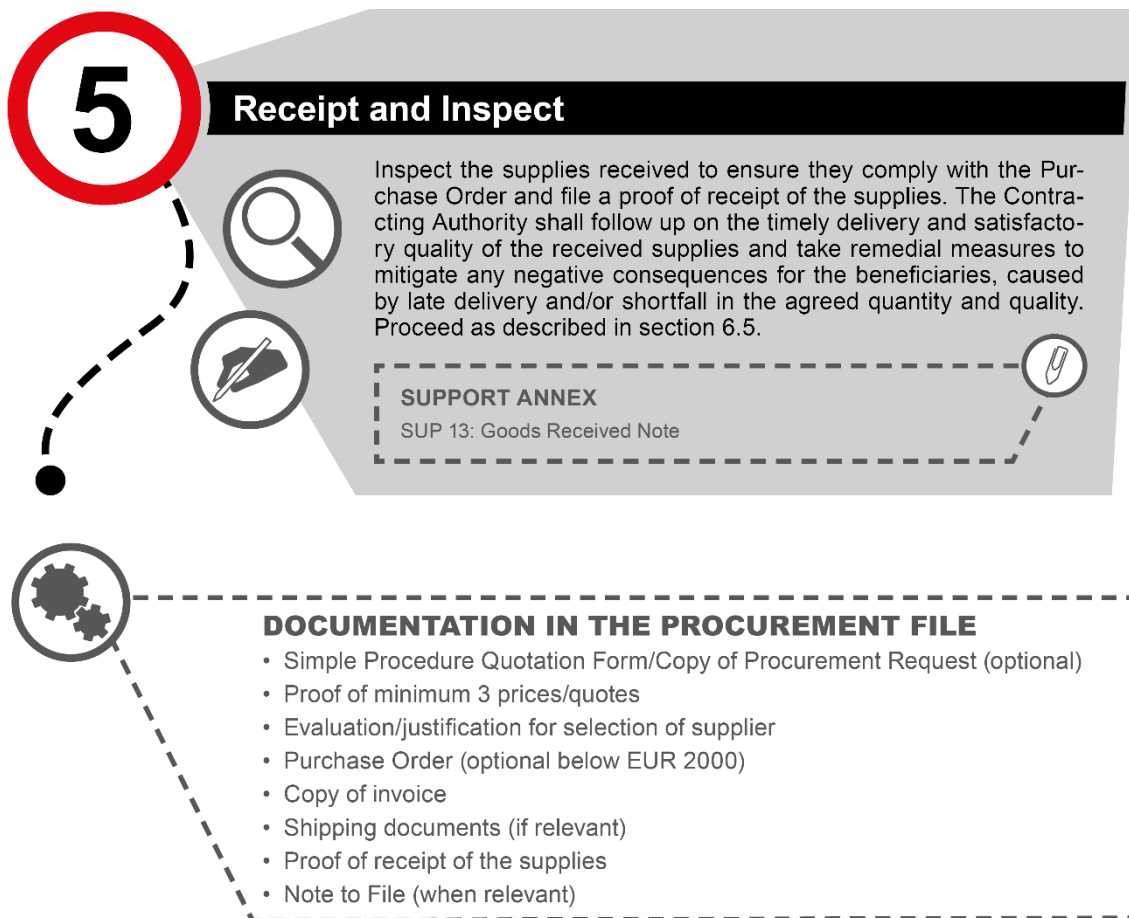
Before signing the Purchase Order and returning the signed copy to the supplier, the Procurement Committee shall ensure:

- That adequate and exact reference is made in the Purchase Order to the relevant RFQ (or the supplier's quotation)
- That the supplier acknowledges the GTC and the Code of Conduct for Contractors without exceptions or amendments
- For new suppliers, ensure that sufficient references and company data has been obtained

Note: If the supplier cannot accept the GTC, the Procurement Committee shall decline that quote and proceed the process with another supplier.

MANDATORY ANNEX

SUP 6: Purchase Order (Optional below EUR 2,000)



6.2 THE NEGOTIATED PROCEDURE

The Negotiated Procedure is more formal than the Simple Procedure. This procedure is applicable within the threshold EUR 10,000 – 149,999. It requires that a minimum of three suppliers are invited simultaneously to submit a quotation based on a written RFQ. The contract shall be awarded to the most compliant supplier. It is mandatory to publish an Award Notice for contracts above EUR 30,000 and letters to all unsuccessful suppliers shall always be submitted.

The Negotiated Procedure is less formal than a Local Open Tender Procedure and gives the opportunity to negotiate the terms of the contract.

Before the procurement process is initiated, please make sure that all members of the Procurement Committee sign the Declaration of Impartiality and Confidentiality (GEN 2-1).

Also, please note that it is mandatory to publish a general advertisement of business opportunities (GEN 8) in the beginning of a project. This advertisement may also contain information on other business opportunities required for the project and it shall be posted in the newspaper, on a notice board or in other public places before the procurement process is initiated. For more information on advertisement see section 4.11.1.

NOTE: Special procedural and quality assurance requirements exists for the purchase of medicine and medical devices. Please go to section 4.13.1 (medicine) and 4.13.2 (medical devices).

Step Guide:

1

Draft Technical Specifications

QUALITY

Identify the resources to be purchased from the Procurement Plan and draft the technical specifications for the supplies in that particular lot. This will often require involvement of relevant project staff to provide input. Clearly defined technical specifications are a prerequisite to receive quotes which match the needs and budget, and they enable suppliers to plan ahead and provide feedback. Please refer to section 4.12.1 when drafting the technical specifications.

Ensure that all required import permits are available.

Special requirements exist for the purchase of pharmaceuticals and medical devices. See section 4.13.1 and 4.13.2.

Note: If a supplier has been requested to provide assistance and input to the technical specifications, they may not submit an offer under that particular purchase.

MANDATORY ANNEX

SUP 2: Request for Quotation

2

Prepare Short List

Prepare a short list with a minimum of three suppliers, applying GEN 13. It is though recommended to include 4-8 suppliers to ensure that a minimum of three quotations are obtained. For information on sourcing suppliers see section 4.11.2.

At this stage it is recommended to obtain general information on sector and country specific ethical risks to identify potential risks related to procuring the product(s) in question. Include the information in the sourcing decisions and further in drafting the RFQ. See section 1.2.1 for implementation of the ethical procurement principles.

MANDATORY ANNEX

GEN 13: List of Suppliers/Candidates and Tender Receipt Form

3

Draft Request for Quotation

Thoroughly prepare the RFQ, applying the template in SUP 2, and approach the suppliers for a quote. The RFQ shall be forwarded simultaneously (same day) to all the shortlisted suppliers and it is recommended to provide suppliers with a minimum of two weeks to submit a quote. This is to ensure that all suppliers are given enough time and an equal amount of time to prepare and submit their offer. At this stage, it is important to communicate the ethical principles and standards to the suppliers.

One way of ensuring supplier response, is to submit a cover letter together with the RFQ, in which the main requirements to filling in the form is highlighted (see GEN 1-2: Guidance Letter to Suppliers). When preparing the RFP consider all the articles and options and decide on:

- Delivery terms (incl. Incoterms if required).
- Technical specifications.
- If installation and/or maintenance and/or after sales service and/or spare parts are required.
- Deadline for receipt of quotations (again, it is recommended to allow a minimum of two weeks depending on the complexity of the requirements).
- Payment terms.
- Evaluation criteria.
- Ethical criterias (e.g. sustainability requirements, certifications, CSR politices etc.)
- If a Tender Guarantee and/or Performance Guarantee shall be required (recommended for contracts above EUR 50,000). For more information on bank guarantees see section 9.3.

To ensure that sufficient offers will be received on time it is recommended to contact all shortlisted suppliers 1-2 days after submitting the RFQ to ask if they intend to submit an offer. When a short deadline is required, it is particularly good practice to follow up to explain the importance of completing the Submission Form and submitting the offer prior to the deadline.

MANDATORY ANNEX

SUP 2: Request for Quotation

SUPPORT ANNEX

GEN 1-2: Guidance Letter for Suppliers



4

Register Quotes and Initiate Evaluation

Upon receipt of the quotations the date and time for receipt are re-situated in GEN 13 and the Procurement Committee initiate the evaluation, utilising the Evaluation Grid in SUP 4. Suppliers who have not submitted their quotation before the deadline shall not be considered. Make sure all the evaluation criterias, defined in the RFQ are applied to the Evaluation Grid before evaluation starts.

Evaluation Challenges

- In case all suppliers have offered prices which are too high and/or the technical specifications need to be changed or adjusted, it is not necessary to issue a new RFQ. Instead the suppliers can be contacted in writing (stating the amendments and new deadline) and a revised quotation requested.
- If less than three quotations have been received, and if some suppliers have declined to submit a quotation, it is allowed to proceed with the best offer provided as long as the general procurement principles are met. E.g. it shall be ensured that enough suppliers was shortlisted, that all suppliers have been given sufficient time to submit a quotation, and that all suppliers have acknowledged the receipt of the RFQ. If it is not possible to find a minimum of three qualified suppliers in the market, it is important to survey broader e.g. markets in neighbouring districts and countries (see section 4.11.2 for how to source new suppliers). Lack of suppliers in the local market is not sufficient grounds for proceeding with less than three quotations.

MANDATORY ANNEX

SUP 4: Evaluation Grid for Negotiated Procedure

GEN 13: List of Suppliers/Candidates and Tender Receipt Form



5

Negotiate

If pertinent, the Procurement Committee has the option to negotiate the terms of the contract. There are no specific procedures on negotiations except that the general procurement principles shall always be respected and negotiations shall not entail any substantial deviation from the terms and conditions of the RFQ. The main purpose of negotiation is to obtain better conditions in terms of delivery date, technical quality, price, payment conditions etc.

Negotiations may however have the purpose of reducing the scope of the supplies or revising other terms of the contract in order to reduce the total price. This may be necessary when the prices proposed exceed the limits of the funds available to the Contracting Authority. In this case, all suppliers involved should be invited to participate in the negotiations and to potentially submit a new offer.

The negotiations can be done by email, fax, phone or at a meeting. A written recap shall be prepared, filed, copied and submitted to the supplier.

When negotiating the terms, consider how requirements on e.g. lead times and price may affect the supplier's ability to comply with the ethical principles and standards.

6

Select Supplier and Issue Purchase Order

Finalize evaluation and select the best and most compliant supplier, i.e. the supplier who is substantially responsive to the RFQ, is technically compliant, and who has offered the best quality and price. This provided further that the Supplier has demonstrated the capability and resources to carry out the Contract effectively.

After selecting the winning supplier the Procurement Committee issue the Purchase Order applying SUP 6. Check if the standard Purchase Order has to be adapted to national legislation, traditions or requirements. Incorporate all agreements reached with the selected supplier in the Purchase Order and never delete or make alterations to the GTC.

The Purchase Order shall be forwarded unsigned to the selected supplier and returned signed to the Contracting Authority. Only thereafter shall the Purchase Order be signed by the Contracting Authority. Signing the Purchase Order creates a legally binding document for both parties.

Before signing the Purchase Order and returning the signed copy to the Contractor, the Procurement Committee shall ensure:

- That adequate and exact reference is made in the Purchase Order to the relevant RFQ
- That the supplier acknowledges the GTC and the Code of Conduct for Contractors without exceptions or amendments
- For new suppliers, make sure that sufficient references and company data has been obtained

Note: If the supplier cannot accept the GTC, the Procurement Committee shall decline that quote and continue the process with another supplier.

MANDATORY ANNEX

SUP 4: Evaluation Grid for Negotiated Procedure

SUP 6: Purchase Order

7

Send Letter to Unsuccessful Suppliers

Once the selected supplier has returned the Purchase Order duly signed a letter shall be sent to the unsuccessful suppliers informing them of the result of the procedure i.e. the name of successful supplier and the total contract amount. Apply SUP 8.

MANDATORY ANNEX

SUP 8: Letter to Unsuccessful Suppliers

8

Publish Award Notice



For Purchase Orders with a value above 30,000 EUR it is mandatory to publish an Award Notice applying GEN 17. The Award Notice shall be published in a suitable media where suppliers will notice the information and on the Contracting Authority's website. The purpose of a public announcement is to meet the principle of transparency with the added benefit of attracting new suppliers. Thus, the Award Notice is useful and recommended for all contracts.

For situations where the Procurement Committee finds that posting an Award Notice will bring project staff, beneficiaries, the project or the winning supplier at risk, the Procurement Committee may refrain from posting an Award Notice (see blanket derogation: k). This shall be duly documented.

Note: The Procurement Committee shall take notice of any specific donor requirements for publishing an Award Notice.

MANDATORY ANNEX

GEN 17: Award Notice (optional below EUR 30,000)



9

Receipt and Inspect



Ensure that the services are completed, inspected and in compliance received comply with the contract. Issue a Completion Certificate or file other relevant documentation as proof of receipt of the services e.g. a report or adapt SUP 13 to the needs. The Contracting Authority shall follow up on the timely delivery and satisfactory quality of the received services and take remedial measures to mitigate any negative consequences for the beneficiaries, caused by delay and/or any contractual shortfalls.

SUPPORT ANNEX

SUP 13: Goods Received Note



DOCUMENTATION IN THE PROCUREMENT FILE

- List of shortlisted candidates
- Copy of RFP
- Received proposals
- Evaluation Grid
- Contract
- Letter to Unsuccessful Candidates
- Copy of invoice
- Award Notice (optional below EUR 30,000)
- Proof of receipt of the service(s)
- Note to File (when relevant)

6.3 THE LOCAL OPEN TENDER PROCEDURE

The Local Open Tender Procedure (from here on named Local Open Tender) is more elaborate than the Negotiated Procedure. It is applicable to higher value purchases of EUR 150,000 – 299,999.

A Local Open Tender requires a public and specified advertisement of a Tender Notice in the country of operation in newspapers and suitable online procurement media with a bid flow of at least 21 days. A Local Open Tender shall provide eligible suppliers in the country of operation with equal business opportunities.

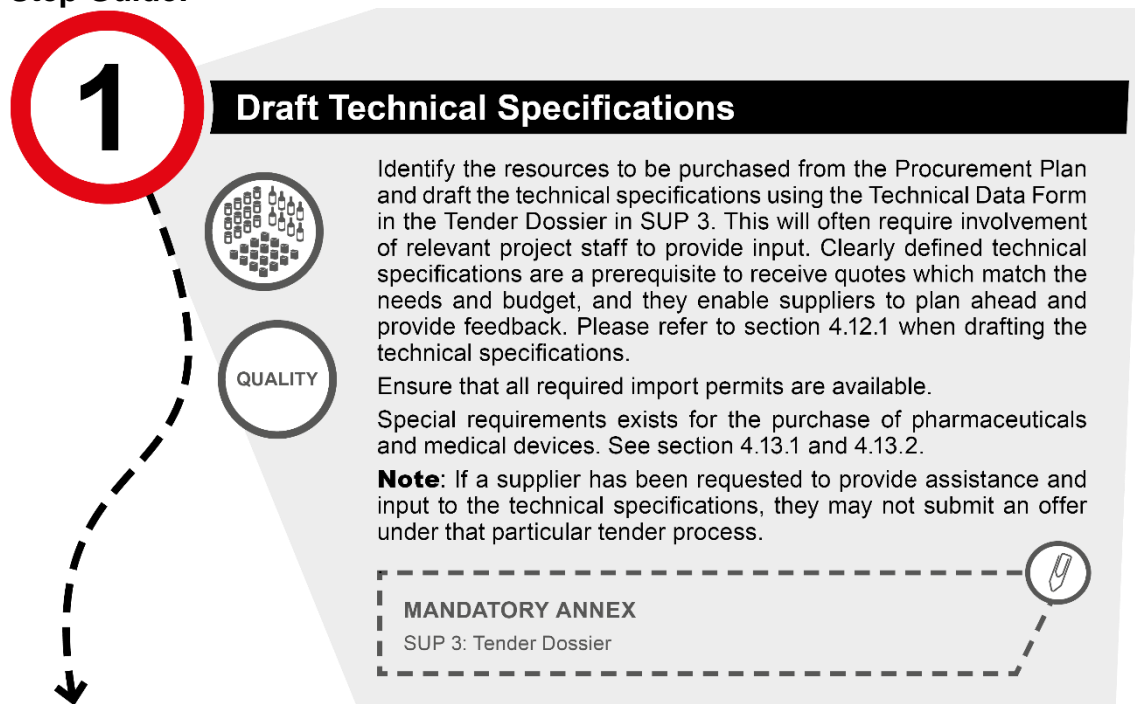
A specified Tender Dossier shall be drafted and forwarded to interested suppliers, who then have the opportunity to submit a tender. After the deadline of receiving tenders, they shall be opened and announced in the presence of all interested tenderers. Evaluation of tenders is undertaken by the Procurement Committee on the basis of a clearly predefined evaluation grid and the most compliant tenderer is awarded the contract. A public Award Notice is required and letters to all unsuccessful suppliers shall be submitted.

As the commercial risks for high value purchases are increased, consider the use of prepayment, tender and performance guarantees. For more information on financial guarantees, see section 9.3.

Before the procurement process is initiated, please make sure that all members of the Procurement Committee have signed the Declaration of Impartiality and Confidentiality (GEN 2-1).

Also, please note that it is mandatory to publish a general advertisement of business opportunities (GEN 8) in the beginning of a project. This advertisement may also contain information on other business opportunities required for the project and shall be posted in the newspaper, on a notice board or in other public places before the procurement process is initiated. For more information on the general advertisement of business opportunities, see section 4.11.1.

Step Guide:



2

Draft Tender Dossier

Thoroughly prepare the Tender Dossier, applying SUP 3. When preparing the Tender Dossier consider all the articles and options and decide on:

Deadline

Decide on the deadline for receipt of tenders. The bid blow shall be of a minimum of 21 days.

Award Criterias

The Tender Dossier shall stipulate the award criterias for the Contract. The contract shall be awarded to the most compliant tender, i.e. the tenderer who is substantially responsive, technically compliant, and who has offered the best price. The tenderer shall have demonstrated capability and resources to carry out the ontract effectively.

Timetable for Tender Procedure

Tenderers shall be informed of the planned timetable for the further tender procedure, incl. clarifications, deadline, tender opening date.

Transport and Storage

When are the goods required at final site? Consider if the timeframe is realistic or if it provides too short lead times for supplier(s). Will the project staff themselves arrange for transport from delivery point to final site, and which Incoterm shall be applied? The choice of transport and the associated environmental risks shall also be considered. Has consideration been given to storage facilities at site? Lack of storage facilities could be solved by requesting partial deliveries in the Tender Dossier. Partial deliveries are also common for products with a short shelflife. It is recommended to draft a distribution schedule as a working tool (GEN 9-3).

Ethical Criterias

It is recommended to obtain general information on sector and country specific ethical risks to identify potential risks related to procuring the product in question. Is there a need to include specific ethical criterias in the Tender Dossier such as certifications or specific terms in the contract such as environmental or social performance? See section 1.2.1 for implementation of the ethical procurement principles.

Inspection

Will a preshipment inspection be required or will the goods be inspected upon arrival?

Bank Guarantees

Will a tender- or performance guarantee be required (recommended for contracts above EUR 50,000)? Or a prepayment guarantee? For more information on bank guarantees see section 9.3.

MANDATORY ANNEX

SUP 3: Tender Dossier

SUPPORT ANNEX

GEN 9.3: Sample of Distribution Schedule

GEN 9-4: Sample of Overall Work Plan



3

Publish Tender Notice



Draft the Tender Notice applying GEN 11. The Tender Notice shall as a minimum describe: the supplies to be procured (incl. the essential technical specifications); the rules governing the submission and presentation of tenders; the exclusion, selection and award criteria; and where and when the Tender Dossier can be obtained.

Interested Tenderers shall be given a minimum of 21 days to submit a tender from the date of publishing the Tender Notice until deadline (bid flow is 21 days). However, the bid flow may be longer depending on the nature of the service.

The Tender Notice shall be published in the country of operation in suitable medias e.g. newspapers, websites as well as media required by donor. To provide eligible suppliers with equal business opportunities, the Procurement Committee is encouraged to submit the Tender Notice directly to a broad list of suppliers who could be interested in participating in the tender process.

It is in the interest of the Procurement Committee to ensure the widest possible participation in the tender process to obtain the best quality and value for money.

Note: The Tender Dossier shall be available on the date of publishing the Tender Notice.

MANDATORY ANNEX

GEN 11: Business Opportunity/Tender Notice

4

Submit Tender Dossier



Within 1-2 days of the Tender Dossier being requested it shall be submitted to interested suppliers. At this stage it is also important to communicate the ethical principles and standards to the suppliers.

Use GEN 13 to keep a record of the date the Tender Dossier was submitted and to whom. Identify each tenderer by a number.

Tenderers may submit questions and clarifications in writing according to date specified in the time table (Art. A.4) in the Tender Dossier. Information regarding interpretation of the Tender Dossier shall be requested in writing only. Tenderers are not allowed to approach the Contracting Authority for oral clarification. Clarifications to the Tender Dossier shall be documented in GEN 14 and shared with all tenderers interested in participating in the tender procedure.

Any prospective tenderer seeking to arrange individual meetings during the tender period with either the Contracting Authority and/or any other organisation with which the Contracting Authority is associated or linked to, shall be excluded from the tender procedure.

Note: Tenderers shall never pay for costs in relation to the tender process. E.g it is not acceptable procurement practice to sell the Tender Dossiers against a 'tender document fee'.

MANDATORY ANNEX

GEN 13: List of Suppliers/Candidates and Tender Receipt Form

GEN 14: Question and Answers

5

Receive Tenders



For each tender received, the date and time of receipt shall be registered in GEN 13, including name of the person who received the tender. All received tenders shall be kept unopened in a secure place until the tender opening session.

All tenders received after the deadline shall be rejected at the tender opening. E.g. if deadline is 17:00 hrs, then offers received at 17:01 or later shall be rejected.

MANDATORY ANNEX

GEN 13: List of Suppliers/Candidates and Tender Receipt Form

6

Conduct Tender Opening Session



Conduct a tender opening session where all tenderers who has submitted a tender are invited to participate. Tenders shall be opened at the announced time, place and date in the presence of tenderers who choose to attend. The names of the tenderers and prices are read aloud and registered in GEN 15-3, and tenderers who participate are registered in GEN 15-2.

For guidance on how to prepare and conduct the tender opening session please refer to GEN 15-1: Tender Opening Checklist.

MANDATORY ANNEX

GEN 15-2: List of Participants

GEN 15-3: Tender Opening Form

SUPPORT ANNEX

GEN 15-1: Tender Opening Checklist

7

Ensure Administrative Compliance



After the tender opening the Procurement Committee shall carry out administrative compliance check of the received tenders. Fill in section A of SUP 5: Evaluation Grid for Open Tender. This is a preliminary examination of all tenders and not an evaluation of the actual proposals.

Each tender shall be checked for administrative compliance based on the requirements set out in the Tender Dossier e.g.:

- Was the tender received before the deadline?
- Are the required no. of copies supplied?
- Is the Tender Submission Form completed and duly signed?

- Are requirements to origin and nationality respected (if required)?
- Are all the requested documents submitted and properly signed e.g. certification, references, bank guarantees, the Tender Submission Form etc. The required documents are listed under "instructions to tenderers" in the Tender Dossier.

Tenders which do not comply shall be rejected and the reason for rejection shall be stated in section A of SUP 5.

MANDATORY ANNEX

SUP 5: Evaluation Grid for Open Tender

8

Evaluate and Select Tenderer



After ensuring the administrative compliance, each member of the Procurement Committee shall receive a copy of the compliant tenders for evaluation and analysis. This evaluation shall be done in private and each member shall fill in part B and C of the Evaluation Grid in SUP 5. Tenderers are not allowed to be present. Make sure all the evaluation criterias, defined in the Tender Dossier are applied to the Evaluation Grid before evaluation starts.

After the individual evaluations an evaluation meeting is carried out where the Procurement Committee discuss their individual evaluations, draft a joint Evaluation Grid (SUP 5), rank proposals and select the winning tenderer. The joint Evaluation Grid shall clearly document why the winning proposal was selected and shall be signed by all members of the Procurement Committee. Tenderers cannot attend this meeting.

Note: During the evaluation it may be necessary to obtain clarification from a tenderer. Depending on the type of clarification, the tenderer shall be allowed at least 48 hours to respond. Always remember to put a deadline for receipt of the clarification and all communication shall be in writing.

Evaluation Challenges

- If there is a need to amend the technical specifications described in the Tender Dossier, either by reducing or increasing the minimum requirements, the tender process shall be cancelled and a new procedure initiated, starting from step 1. The deadline for submitting tenders can be reduced from 21 to 15 days (or less), depending on the complexity. This emphasises the importance of drafting clear and thorough technical specifications from the outset of the procurement process.
- If all financial offers exceed the budget substantially, the cause for this can either be change in the market price, minimum technical requirements are too high, etc. The reason for the high offers shall be clarified. Proceed as described in the above case scenario if changes to the technical specifications are needed.
- If less than three tenders have been received, it is allowed to proceed with the best tender provided that general procurement principles are met, incl. proper advertisement. If there is a need to make substantial changes to the contract terms (e.g. technical specifications) the tender process shall be cancelled and a new process initiated, starting from step 1. If no tenders are received a new tender procedure shall also be initiated. Analyse the possible reason for the lack of tenders, and implement the findings in the new Tender Notice and the Tender Dossier.

MANDATORY ANNEX
SUP 5: Evaluation Grid for Open Tender

9

Issue Contract and Send Letter of Acceptance

The Procurement Committee send a Letter of Acceptance to the selected tenderer, applying GEN 16, and issue the contract applying the template in the Tender Dossier (part B of SUP 3). Check if the standard contract has to be adapted to national legislation, traditions or requirements. Incorporate all agreements reached with the selected supplier in the contract and never delete or make alterations to the GTC.

The contract shall be forwarded unsigned to the selected tenderer and returned signed to the Contracting Authority. Only thereafter shall the contract be signed by the Contracting Authority. Signing the contract creates a legally binding document for both parties.

Before signing the contract and returning the signed copy to the tenderer, the Procurement Committee shall ensure:

- That adequate and exact references are made in the contract to the tender
- That the tenderer acknowledges the GTC and the Code of Conduct for Contractors without exceptions or amendments
- For new suppliers, make sure that sufficient references and company data has been collected

Note: If the selected tenderer cannot accept the GTC the Procurement Committee shall decline the bid and continue the process with another tenderer.

MANDATORY ANNEX
SUP 3: Tender Dossier (part B: Contract)
GEN 16: Letter of Acceptance

10

Send Letter to Unsuccessful Tenderers

After the contract has been signed, the Procurement Committee shall submit a notification letter to the unsuccessful tenderers notifying them of the result of the tender process. Use the template in SUP 8.

MANDATORY ANNEX
SUP 8: Letter to Unsuccessful Suppliers

11

Publish Award Notice



It is mandatory to publish an Award Notice, applying GEN 17. The Award Notice shall be published in a suitable media where suppliers will notice the information and on the Contracting Authority's website. The purpose of a public announcement is to meet the principle of transparency with the added benefit of attracting new suppliers. Thus the Award Notice is useful and recommended for all contracts.

For situations where the Procurement Committee finds that posting an Award Notice will bring project staff, beneficiaries, the project or the winning contractor at risk, the Procurement Committee may refrain from posting an Award Notice (see blanket derogation: k). This shall be duly documented.

Note: The Procurement Committee shall take notice of any specific donor requirements for publishing an Award Notice.

MANDATORY ANNEX

GEN 17: Award Notice



12

Receipt and Inspect



Inspect that the supplies received comply with the contract. The Contracting Authority shall follow up on the timely delivery and satisfactory quality of the received supplies and take remedial measures to mitigate any negative consequences for the beneficiaries, caused by late delivery and/or shortfall in the agreed quantity and quality. Proceed as described in section 6.5.



SUPPORT ANNEX

SUP 13: Goods Received Note





DOCUMENTATION IN THE PROCUREMENT FILE

- Copy of Tender Dossier
- Tender Notice
- Received Tenders
- Tender Receipt Form
- Questions and Answers
- Tender Opening Minutes (Checklist, List of Participants, Tender Opening Form)
- Evaluation Grid
- Contract and Letter of Acceptance
- Letter to Unsuccessful Suppliers
- Copy of invoice
- Shipping documents (if relevant)
- Award Notice
- Proof of receipt of the supplies
- Note to File (when relevant)

6.4 THE INTERNATIONAL OPEN TENDER PROCEDURE

The International Open Tender Procedure (from here on named International Open Tender) is similar to the Local Open Tender except for the rules applicable to advertisement of the Tender Notice and the timeframe for the bid flow. International Open Tenders shall always be advertised internationally and the deadline for submitting a tender shall be at least 30 days after the Tender Notice is published. The International Open Tender is applicable for all purchases above EUR 299,999.

As the commercial risks for high value purchases are increased, consider the use of prepayment, tender and performance guarantees. For more information on financial guarantees, see section 9.3.

Before the procurement process is initiated, please make sure that all members of the Procurement Committee have signed the Declaration of Impartiality and Confidentiality (GEN 2-1).

Also, please note that it is mandatory to publish a general advertisement of business opportunities (GEN 8) in the beginning of a project. This advertisement may also contain information on other business opportunities required for the project and shall be posted in the newspaper, on a notice board or in other public places before the procurement process is initiated. For more information on the general advertisement of business opportunities, see section 4.11.1.

Step Guide:



Draft Technical Specifications and Tender Dossier

Follow step 1-2 in the Local Open Tender Procedure in section 6.3:

- Draft technical specifications
- Draft Tender Dossier

3

Publish Tender Notice Internationally



Draft the Tender Notice applying GEN 11. The Tender Notice shall be published in relevant regional and international medias and shall as a minimum describe: the supplies to be procured (incl. the essential technical specifications); the rules governing the submission and presentation of tenders; the exclusion, selection and award criteria; and where and when the Tender Dossier can be obtained.

Interested Tenderers shall be given a minimum of 30 days to submit a tender from the date of publishing the Tender Notice until deadline (bid flow is 30 days). However, the bid flow may be longer depending on the nature of the supplies. Tenderes may submit a bid from the day of publishing the Tender Notice until the deadline.

The Tender Notice shall be published in suitable procurement medias e.g. newspapers, websites and medias required by donor in the country of operation and internationally.

If the project is funded by the World Bank or UN, then the Tender Notice can be published on devbusiness.com. If it is funded by other donors, the Tender Notice can be published on dgmarket.com. When feasible, advertising in technical magazines and trade publications shall be envisaged. It is also recommended to advertise the Tender Notice on TED ted.europa.eu.

It is in the interest of the Procurement Committee to ensure the widest possible participation in the tender to obtain the best quality and value for money.

Note: The Tender Dossier shall be available on the date of publishing the Tender Notice.

MANDATORY ANNEX

GEN 11: Business Opportunity/Tender Notice

4-12

From Submitting Tender Dossier till Receipt



Follow step 4-12 in the Local Open Tender Procedure in section 6.3:

- Submit Tender Dossier
- Receive Tenders
- Conduct tender opening session
- Ensure administrative compliance
- Evaluate and select tenderer
- Issue contract and send Letter of Acceptance
- Send Letter to Unsuccessful Tenderers
- Publish Award Notice
- Receipt and inspect



DOCUMENTATION IN THE PROCUREMENT FILE

- Copy of Tender Dossier
- Tender Notice
- Received Tenders
- Tender Receipt Form
- Questions and Answers
- Tender Opening Minutes (Checklist, List of Participants, Tender Opening Form)
- Evaluation Grid
- Contract and Letter of Acceptance
- Letter to Unsuccessful Suppliers
- Copy of invoice
- Shipping documents (if relevant)
- Award Notice
- Proof of receipt of the supplies
- Note to File (when relevant)

6.5 RECEIVING SUPPLIES

The Contracting Authority shall follow up on the timely delivery and satisfactory quality of the received supplies and take remedial measures to mitigate any negative consequences for the beneficiaries caused by late delivery and/or shortfall in the agreed quantity and quality. When receiving the supplies, follow the three steps below:

Step 1: Forwarders receipt

Upon receipt of supplies, check that the packages are not wet or damaged. Always sign and file a receipt of goods/delivery note in the Procurement File. If the packing is wet, damaged or bent, it is extremely important to make a note on the receipt/delivery note. Write e.g. "received damaged" or "shortage".

Step 2: Unpacking and inspection

Unpack goods and within 48 hours after receipt of supplies. At the final destination the Procurement Committee shall inspect that the supplies are in acceptable condition. If the Procurement Committee lacks the expertise to make an inspection, a Technical Advisor shall be consulted for assistance. Payment shall only be authorised to the supplier after inspection is completed and supplies found to be in order.

Step 3: Damaged goods

In case of damaged supplies or shortage, a claim shall be made to the forwarder and the insurance company within five days. For insured goods, it is important that the damage report is forwarded to the Procurement and Logistics Unit immediately. This report shall include a copy of the signed receipt/delivery note (as in step 1), pictures of the damaged supplies, where it was inspected and by whom, where the damaged supplies are now stored and a short description of the damage or shortage. The insurance company may send a representative to inspect the damage.

6.6 INCOTERMS

Incoterms are internationally recognised trade clauses most commonly used for international sales contracts published by the International Chamber of Commerce (ICC). The standard clauses can be adopted as the legal regulation for delivery of supplies and distribution of cost and risks between the seller and the Contracting Authority in the Purchase Order/contract (see <http://www.iccwbo.org/incoterms/id3042/index.html>).

The following table is meant to give a broad overview of the various Incoterms. It is important to stress the need to study each Incoterm more thoroughly in the ICC's "Incoterms 2010" before applying an Incoterm to a contract. For all the Incoterms, it is important to specify the port (or other named delivery destination) as precisely as possible.

NOTE: If no Incoterm is specified in a Purchase Order/contract, it is EX Works (EXW) which applies, placing minimum risk and obligations on seller and maximum on buyer (the Contracting Authority).

RULES FOR ANY MODE(S) OF TRANSPORT

| Incoterm (2010) | Definition and Description |
|--|--|
| EX Works (EXW) (Minimum risk and obligations on seller/maximum on buyer) | <p>The seller has met his/her obligations to deliver once the goods are placed at the disposal of the buyer at the seller's premises or another clearly named place (i.e. works, factory, warehouse etc.) not cleared for export, and not loaded on any collecting vehicle. Seller has no obligations to clear the goods for import, pay any import duty or carry out import customs formalities. Make sure to specify the point of delivery at the named place, as the risk passes to the buyer at this point.</p> <p>This term represents the minimum obligation for the seller, and the buyer has to bear all costs and risks involved in taking the goods from the seller's premises (or other delivery point). However, if the parties want the seller to be responsible for the loading of the goods on departure and to bear the risks and all costs of such loading, this shall be made clear by adding explicit wording to this effect in the contract. This term shall not be used when the buyer cannot carry out the export formalities directly or indirectly. In such circumstances, the Free Carrier (FCA) term shall be used, provided the seller agrees that he/she will load at his/her cost and risk.</p> |
| Free Carrier (FCA) | <p>The seller has met his/her obligations to deliver once the goods are delivered to the carrier (or any other person) nominated by the buyer at the named place and cleared for export. Seller has no obligations to clear the goods for import, pay any import duty or carry out import customs formalities. Make sure to specify the point of delivery at the named place in the contract, as the risk passes to the buyer at this point. It shall be noted that the chosen place of delivery has an impact on the obligations of loading and unloading the goods at that place. If delivery occurs at the seller's premises, the seller is responsible for loading, and if delivery occurs at any other place, the seller is not responsible for unloading.</p> |
| Carriage Paid To (CPT) | <p>The seller delivers the goods to the carrier (or any other person) nominated by the seller and he/she shall pay the cost of carriage necessary to bring the goods to the named destination. This means that the buyer bears all risks and any additional costs occurring after the goods have been delivered to the nominated carrier (or any other person). Seller has fulfilled his/her obligation to deliver once the goods are handed over to the nominated carrier, but still pays the costs for the carriage to the named destination. Make sure to specify the point of delivery to the carrier in the contract, as the risk passes to the buyer at this point. If subsequent carriers are used for the carriage to the agreed destination, the risk passes to the buyer once the goods have been delivered to the first carrier. The CPT term requires the seller to clear the goods for export, but seller has no import responsibilities or import costs.</p> |

| | |
|--|--|
| Carriage and Insurance Paid to (CIP) | <p>The seller delivers the goods to the carrier (or any other person) nominated by him and the seller shall pay the cost of carriage necessary to bring the goods to the named destination. This means that the buyer bears all risks and any additional costs occurring after the goods have been delivered to the nominated carrier (or any other person). Make sure to specify the point of delivery to the carrier in the contract, as the risk passes to the buyer at this point. Seller has fulfilled his/her obligation to deliver once the goods are handed over to the nominated carrier, but still pays the costs for the carriage to the named destination. However, when the CIP applies the seller also has to procure insurance against the buyer's risk of loss or of damage to the goods during the carriage. Consequently, the seller contracts for insurance and pays the insurance premium. The buyer shall note that under CIP the seller is required to obtain insurance only on minimum cover. Should the buyer wish to have an enhanced insurance cover, he would either need to clearly agree with the seller on this or subscribe for own additional insurance. If subsequent carriers are used for the carriage to the agreed destination, the risk passes when the goods have been delivered to the first carrier. The CIP term requires the seller to clear the goods for export, but seller has no import responsibilities or import costs.</p> |
| Delivered at Terminal (DAT) | <p>The seller has met his/her obligations to deliver once the goods have been unloaded from the arriving mode of transport at a named terminal (warehouse, container yard, port, cargo terminal etc.) at the named port or other named place of destination. The goods shall be placed at the disposal of the buyer. The seller bears all risks until the goods are unloaded at the terminal. It is at buyers own cost and risk to get the goods from the terminal to the final destination. Seller shall clear the goods for export, but seller has no import responsibilities or import costs.</p> |
| Delivered at Place (DAP) | <p>The seller has met his/her obligations to deliver once the goods are placed at the disposal of the buyer on the arrived means of transport at a named port or other named place of destination. Seller bears all risks of bringing the goods to the named port/destination, but notice that unloading of goods is not seller's responsibility. Seller delivers before unloading. Seller shall clear the goods for export, but has no import responsibilities or import costs.</p> |
| Delivery Duty Paid (DDP) (Maximum risk and obligations on seller / minimum on buyer) | <p>The seller has met his/her obligations to deliver once the goods are delivered to the buyer, cleared through customs cleared for import, but not unloaded from the arriving means of transport at the named place of destination. The seller has to bear all the costs and risks involved in bringing the goods to the named place of destination. This includes that seller bears all export and import obligations, risks, and costs in bringing the goods to the named destination.</p> <p>While the EXW term represents the minimum obligation and costs for the seller, DDP represents the maximum obligation and cost for the seller. This term shall not be used if the seller is unable directly or indirectly to obtain the import licence. However, if the parties wish to exclude from the seller's obligations some of the costs payable upon import of the goods (such as value-added tax VAT), this shall be made clear by adding explicit wording to this effect in the contract of sale. If the parties wish the buyer to bear all risks and costs of the import, the DAP term shall be used.</p> |

RULES FOR SEA AND INLAND WATERWAY TRANSPORT

| Incoterm (2010) | Definition and Description |
|---|---|
| Free Along Ship (FAS) | <p>The seller has met his/her obligations to deliver once the goods are placed alongside the vessel (nominated by the buyer) at the named port of shipment, and cleared for export. All risk and costs are on the seller until this point of delivery. Once the goods are placed alongside the vessel, risk and costs are transferred to the buyer.</p> <p>The FAS term requires the seller to clear the goods for export, but seller has no import responsibilities or import costs. If goods are shipped in containers, it is common that</p> |
| (Minimum risk and obligations on seller / maximum on buyer) | |

| | |
|--|---|
| | seller hands over the goods to the carrier at a terminal, and not alongside the vessel. In this case the FCA term shall be used. |
| Free on Board (FOB) | The seller has met his/her obligations to deliver once the goods are loaded onboard the vessel (nominated by the buyer) at the named port of shipment. This means that the buyer bears all costs and risks of loss of or damage to the goods from that point and onwards. The FOB term requires the seller to clear the goods for export, but seller has no import responsibilities or import costs. If the goods are handed over to the carrier before loaded onboard the vessel, which is often the case with goods transported in containers, the FCA term is applicable. |
| Cost and Freight (CFR) | The seller has met his/her obligations to deliver once the goods are loaded on board the vessel at the port of shipment. The seller shall contract for and pay the costs and freight necessary to bring the goods to the named port of destination, but the buyer bears all risks (damage, loss etc.) and any additional costs occurring after the goods have been delivered on board the vessel. It is very important to identify and describe the port of shipment in the contract, as this is where risks pass from the seller to the buyer. The CFR term requires the seller to clear the goods for export, but seller has no import responsibilities or import costs. |
| Cost, Insurance and Freight (CIF) | The seller has met his/her obligations to deliver once the goods are loaded on board the vessel in the port of shipment. The seller shall contract for and pay the costs and freight necessary to bring the goods to the named port of destination, but the buyer bears all risks (damage, loss etc.) and any additional costs occurring after the goods have been delivered on board the vessel. It is very important to identify and describe the port of shipment in the contract as this is where risks pass from the seller to the buyer. However, in CIF the seller also has to procure marine insurance against the buyer's risk of loss of or damage to the goods during carriage. Consequently, the seller contracts for insurance and pays the insurance premium. The buyer shall note that under the CIF term the seller is required to obtain insurance only on minimum cover. If buyer wishes to have an enhanced insurance cover, he/she would either need to clearly agree with the seller on this or subscribe for own additional insurance. The CIF term requires the seller to clear the goods for export, but seller has no import responsibilities or import costs. If more risks and cost are wished to be transferred to the seller the terms DAT, DAP or DDP shall be applied. |
| (Maximum risk and obligations on seller /minimum on buyer) | |

6.7 LEGAL ASPECTS – WARRANTY OBLIGATIONS

The GTC establish warranty obligations of the seller which are significantly more extended than what a seller is generally including in his/her own general terms and conditions, and which could be contrary to the customs of the country. If it is foreseen that this could be a hindrance to obtain offers, consider limiting these provisions in the Purchase Order/Contract (e.g. in common law systems “Incidental damages” are excluded from seller's liability). The duration of the warranty period (one year according to the GTC) can also be increased, for example if required by the applicable law which provides for a longer period.

Besides these warranty obligations, which are contractual, the seller is generally subject to legal “product liability” (for hidden defects) in the countries where the products are sold. This product liability is governed by mandatory provisions, generally protecting the consumer or third party and is therefore not considered in the GTC.

7 SERVICE CONTRACTS

This chapter provides a step by step guide for Procurement Procedures applicable to Service Contracts according to contract value.

A Service Contract is a contract for the provision of a defined service. It covers all intellectual and non-intellectual services other than those covered by Supply Contracts, Works Contracts and Property Contracts.

Service Contracts also comprise the following contract forms:

- 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 or to manage or supervise a project.
- Freight Contracts are contracts covering transport of goods from one site to another (unless the freight is included in the Supply Contract).
- Rent of a vehicle with a driver is also a Service Contract (rent of vehicle alone is a Supply Contract).

Be aware that some services such as repair of machinery, cleaning services or small scale catering might be considered running costs and therefore not subject to Procurement Procedures (see section 4.10 on running costs). Also note that rental of equipment and venues are Supply Contracts (e.g. vehicles or conference rooms).

NOTE: A Service Contract and an Employment Contract are two different contracts. An Employment Contract involves recruitment, fixed salary, regulations on leave, resignation restrictions etc. These obligations are hence for the Contracting Authority as an employer rather than merely a party to a contract for the provision of a service. Employment Contracts are not covered by this Manual and are not subject to Procurement Procedures (for more information, see section 7.5).

| SERVICES | | |
|-----------------------|---------------------------|-----------------|
| EUR 300 - 9,999 | Simple Procedure | See section 7.1 |
| EUR 10,000 - 149,999 | Negotiated Procedure | See section 7.2 |
| EUR 150,000 - 299,999 | Local Open Tender | See section 7.3 |
| Above EUR 300,000 | International Open Tender | See section 7.4 |

Ethical Considerations

The procurement of services may involve specific ethical risks which are related to employees' labour rights and companies' social and environmental responsibilities. In order to avoid or prevent ethical risks, it is important to consider which risks are related to the purchase of a service in a specific context. It is recommended to include ethical considerations in the market survey and to conduct a small scale research on the candidates' ethical business performance in the sourcing process and further make procurement decisions which seek to avoid or manage the identified ethical risks. Also consider how internal procurement practices may influence contractors' ability to meet ethical requirements and standards e.g. short lead times, changes to TOR and negotiating prices. Please ensure always to communicate the ethical principles and standards to potential candidates either by personal contact or by publishing the Code of Conduct for Contractors nationally. For more information on ethical procurement principles and implementation, see section 1.2 + 1.2.1.

The use of the Standard Templates for Service Contracts

In SER 2 you will find the standard templates for Service Contracts. The templates are to be used for entering Service Contracts with: consultants, procurement agents, inspection agents, auditors, universities, research institutions, NGOs and individuals for the carrying out of a wide range of activities such as policy advice; organisational development; studies, appraisals and evaluations; audits; management; procurement services; social and environmental studies as well as identification, preparation and implementation of projects.

In the context of a construction project (Works), they will also be used for contracts with engineering firms and construction managers, for provision of engineering services, construction supervision and administration and monitoring of Works Contracts. In this case however, a specific contract shall be used (included in SER 1), because of the specificity of the engineering services required and the necessary link to the Works Contract.

Note that the templates (SER 1 and SER 2) are not appropriate for other kinds of services, which do not involve the provision of “intellectual” services. This could be as contracts for transport, financial services, cleaning services etc. Should the standard templates for Service Contracts not fulfil your needs, in some cases the standard templates for Supplies can be used or please contact the Procurement and Logistic Unit for advice.



Learn how to use and fill in the SER 2 via the e-training no 6: 'Guide to SER 2: Request for Proposal'. [LINK](#)

7.1 THE SIMPLE PROCEDURE

The Simple Procedure is the simplest Procurement Procedure. This procedure is applicable within the threshold of EUR 300 - 9,999.

For the Simple Procedure it shall be documented that the price of the procured service corresponds with, or is lower than the market price (meeting the tasks described in the TOR). To establish this you can either obtain three verbal or written quotations, search the internet or, refer to recent contracts. Make sure you have at least three prices for comparison and verbally obtained prices are captured in a Note to File kept in the procurement file.

Before the procurement process is initiated, please make sure that all members of the Procurement Committee sign the Declaration of Impartiality and Confidentiality (GEN 2-1).

Also, please note that it is mandatory to publish a general advertisement of business opportunities (GEN 8) in the beginning of a project. This advertisement may also contain information on other business opportunities required for the project and it shall be posted in the newspaper, on a notice board or in other public places before the procurement process is initiated. For more information on the general advertisement, see section 4.11.1.

Contracts below EUR 2,000

It is mandatory to issue a contract for procurement above the value of EUR 2,000. For procurement below EUR 2,000, it is optional to issue a contract, but an invoice shall in all cases be received and filed. As this lower boundary allows for more flexibility in issuing contracts under the value of EUR 2,000, it is important to be aware of the risks involved. In order to minimise risks and ensure that contractors are aware of the GTC and Code of Conduct for Contractors, in some contexts it may be advisable to issue a contract for services of a value less than EUR 2,000. Please ensure that this does not conflict with donor requirements.

Step Guide:

1

Draft Terms of Reference

Identify, in the Procurement Plan, the service(s) to be procured and draft the TORs for each service. Services are often part of project activities, and it is probable that a TOR has already been drafted in a context other than procurement. Personnel in charge of programme activities are usually in charge of drafting the TOR.

It is very important to give correct and detailed information of the required services in the TOR. All requirements related to the accrued services shall be incorporated in the TOR in order to ensure that the Contracting Authority receive proposals from candidates who are able to fulfill the task required and provide the best price and quality. When drafting the TOR, please refer to section 4.12.2.

Learn more about drafting TORs via e-training no 6. Guide to SER 2: Request for Proposal. [LINK](#)



2

Obtain Proposals

Approach the candidate(s) for a written or non-written proposal, search the internet for the best price and quality or refer to recent contracts to ensure that the price corresponds with the present market price or lower. Make sure to have at least three prices/quotes for comparison and file the obtained prices/quotes in the procurement file.

Although optional, it is recommended to use a written RFP, applying SER 2. The advantage of using the RFP is that it prevents misunderstandings and ensures that all the required information is obtained in one go and in writing. The written form also provides an opportunity to specify ethical criterias for the contract via the TOR or contract conditions.

If a non-written proposal is obtained the Procurement Committee shall make a written note of the price, name of candidate, description of service and note the date. This note shall be filed in the procurement file. At this stage, it is also important to communicate the ethical principles and standards to the candidates.

SUPPORT ANNEX

SER 2: Request for Proposal

If you apply SER 2: RFP, you can gain knowledge of how to use and fill in the template via e-training no 6: Guide to SER 2: Request for Proposal. [LINK](#)



3

Evaluate and Select Candidate



Evaluate the received proposals, select the candidate offering the best price meeting the TORs, and issue a Note to File with a justification on the selection of the candidate. For evaluation it may be useful to apply the Evaluation Grid found in SER 3, which is also used for the Negotiated Procedure.

SUPPORT ANNEX

SER 3: Evaluation Grid for Negotiated Procedure

4

Issue Contract



After selecting the best proposal the contract shall be issued by the Procurement Committee applying SER 4. Check if the contract has to be adapted to existing legislation, traditions or requirements, as appropriate and incorporate in the contract all agreements reached with the selected candidate. Never delete or make alteration to the General Terms and Conditions (GTC).

The Contract shall be forwarded unsigned to the selected candidate and returned signed to the Contracting Authority. Only thereafter shall the contract be signed by the Contracting Authority. Signing the contract creates a legally binding document for both parties.

Before signing the contract and returning the signed copy to the contractor, the Procurement Committee shall ensure:

- That adequate and exact reference is made in the contract to the relevant RFP or proposal
- That the contractor acknowledges the GTC and the Code of Conduct for Contractors without exceptions or amendments
- For new contractors, make sure that sufficient references and company data have been obtained



NOTE: If the contractor cannot accept the GTC, the Procurement Committee shall decline that proposal and continue the process with another candidate.

MANDATORY ANNEX

SER 4: Contract (Optional below EUR 2,000)

5


Receipt and Inspection





Ensure that the services are completed, inspected and in compliance received comply with the contract. Issue a Completion Certificate or file other relevant documentation as proof of receipt of the services e.g. a report or adapt SUP 13 to the needs. The Contracting Authority shall follow up on the timely delivery and satisfactory quality of the received services and take remedial measures to mitigate any negative consequences for the beneficiaries, caused by delay and/or any contractual shortfalls.

SUPPORT ANNEX

SUP 13: Goods Received Note





DOCUMENTATION IN THE PROCUREMENT FILE

- Copy of Procurement Request (optional)
- Proof of minimum 3 prices/proposals
- Evaluation/justification for selection of candidate
- Contract (optional below EUR 2000)
- Copy of invoice
- Proof of receipt of the service(s)
- Note to File (when relevant)

7.2 THE NEGOTIATED PROCEDURE

The Negotiated Procedure is more formal than the Simple Procedure. This procedure is applicable within the threshold of EUR 10,000 – 149,999 and requires that a minimum of three candidates are invited simultaneously to submit a proposal based on a RFP. The contract shall be awarded to the most compliant candidate. It is mandatory to publish an Award Notice for contracts above EUR 30,000 and Letters to all unsuccessful candidates shall always be submitted. The Negotiated Procedure is less formal than a Local Open Tender and gives the opportunity to negotiate the terms of the contract.

Before the procurement process is initiated, please make sure that all members of the Procurement Committee sign the Declaration of Impartiality and Confidentiality (GEN 2-1).

Also, please note that it is mandatory to publish a general advertisement of business opportunities (GEN 8) in the beginning of a project. This advertisement may also contain information on other business opportunities required for the project and it shall be posted in the newspaper, on a notice board or in other public places before the procurement process is initiated. For more information on the general advertisement, see section 4.11.1.

Step Guide:

1

Draft Terms of Reference

Identify, in the Procurement Plan, the service(s) to be procured and draft the TORs for each service. Services are often part of project activities, and it is probable that a TOR has already been drafted in a context other than procurement. Personnel in charge of programme activities are usually in charge of drafting the TOR.

It is very important to give correct and detailed information of the required services in the TOR. All requirements related to the acquired services shall be incorporated in the TOR in order to ensure that the Contracting Authority receive proposals from candidates who are able to fulfill the task required and provide the best price and quality. When drafting the TOR, please refer to section 4.12.2.

Learn more about drafting TORs via e-training no 6. Guide to SER 2: Request for Proposal. [LINK](#)



2

Prepare Short List

Prepare a short list with a minimum of three candidates applying GEN 13. It is though recommended to include 4-8 candidates to ensure that a minimum of three proposals are obtained. For more information on sourcing candidates see section 4.11.2.

At this stage it is recommended to obtain general information on sector and country specific ethical risks to identify potential risks related to procuring the service in question. Include the information in the sourcing decisions and further in drafting the RFP. See section 1.2.1 for implementation of the ethical procurement principles.

MANDATORY ANNEX

GEN 13: List of Suppliers/Candidates and Tender Receipt Form



3

Draft Request for Proposal

Thoroughly prepare the RFP, applying the template in SER 2, and approach the candidates for a proposal. The RFP shall be forwarded simultaneously (same day) to all the shortlisted candidates. This is to ensure that all candidates are given an equal amount of time to prepare and submit their proposal.

One way of ensuring responses, is to submit a cover letter together with the RFP, in which the main requirements to filling in the form is highlighted (see GEN 1-2: Guidance Letter to Suppliers).

When preparing the RFP consider all the articles and options and decide on:

Deadline

Decide on the deadline for receipt of proposals. It is recommended to allow the bid blow to be a minimum of two weeks.

Type of Remuneration

The Service Contract may be a 'global price' contract, a 'fee-based' contract or a mix of the two. One of the three options has to be chosen in article A.6 Financial Proposal of the RFP and in article B.7 Remuneration of the Draft Contract.

For the global price the Contracting Authority pays the candidate according to the delivery of certain output(s), e.g. reports, workshops etc. The global price include all costs and is a total price. A major advantage of the global price contract is the simplicity of its administration. The Contracting Authority having only to be satisfied with the outputs without monitoring the staff inputs or the reimbursable expenses. Studies are usually carried out on a global price basis e.g. surveys, master plans, economic, sector, simple feasibility and engineering studies.

In fee-based contracts remuneration is based on (i) agreed unit rates for the candidates staff multiplied by the actual time spent by the staff in executing the assignment, and (ii) reimbursable expenses using actual expenses and/or agreed unit prices. This type of contract is heavy on administration and requires the Contracting Authority to closely supervise and monitor the Contractor. 'Fee-based' contracts are used for assignments for which remuneration is being determined on the basis of the time actually spent by the Contractor in carrying out the services. Such contracts are recommended when the scope of the services cannot be established with sufficient precision, or the duration and quantity of services depend on variables that are beyond the control of the contractor.

Evaluation Criterias

Article A.11 of the RFP instructs the candidates of the technical and financial criterias, which the Procurement Committee will use for the evaluation of the proposals. Furthermore, it informs the candidates of the weights assigned to the technical and financial scores. Finally, the article detail how the Procurement Committee will weigh the various technical criterias.

For the technical evaluation criterias, defined in the tabel in article A.11, it is important to note that these are suggested criteria and it is the responsibility of the Procurement Committee to modify these to match the requirements of the contract in question. To assist the evaluation process, please define unambiguous and measurable evaluation criterias. The technical score is a sum of the points each candidate has obtained for each technical criteria.



Examples of technical evaluation criteria's could be: the candidate's experience in the field of assignment, the candidates general academic qualifications and specific experience in the region/country of the assignment, the adequacy of the proposed methodology and the work plan in responding to the TOR, the candidate's availability and the required time to perform the services, CSR related policies and certifications etc.

The financial evaluation criteria is predefined in article A.11 as the formula $Sf = 100 \times Fm/F$ (Sf is the financial score of a proposal; Fm is the lowest price; and F is the price of the proposal under evaluation). This formula cannot be changed. During the evaluation in Step 4, the Procurement Committee applies this formula to calculate a financial score for each proposal received.

Please note that the overall score links directly to the award criterias in article A.12 of the RFP.

Donor Requirements

Take notice of specific donor requirements such as requirements to origin and nationality, exclusivity clauses, publication rights, visibility, right to audit, exclusion and eligibility clauses, preference criteria, etc., which might require amendment of the RFP.

Ethical Criterias

It is recommended to obtain general information on sector and country specific ethical risks to identify potential risks related to procuring the service in question. Is there need to include specific criteria to ethical procurement issues in the RFP such as certifications (or equivalent proof of compliance to ethical criteria) or the inclusion of specific terms related to e.g. environmental or social performance?

Bank Guarantees

Will a prepayment guarantee or a performance guarantee be required? For more information on bank guarantees, see section 9.3. The standard RFP does not contain provisions in respect of such guarantees since it is uncommon that they are required for Service Contracts. However, it may be relevant to require in the case of a high value contract.

Follow Up

To ensure that sufficient offers will be received on time it is recommended to contact all shortlisted candidates 1-2 days after submitting the RFP to ask if they intend to submit a proposal. When a short deadline is required, it is particularly good practice to follow up to explain the importance of completing the Submission Form and submitting the offer prior to the deadline.

MANDATORY ANNEX

SER 2: Request for Proposal

SUPPORT ANNEX

GEN 1-2: Guidance Letter for Suppliers

Learn how to use and fill in SER 2 via e-training no 6: 'Guide to SER 2: Request for Proposal'. [LINK](#)



4

Register Proposals and Initiate Evaluation

Upon receipt of the quotations the date and time for receiving the are registered in GEN 13 and the Procurement Committee initiate the evaluation, utilising the Evaluation Grid in SER 3. Make sure all the evaluation criterias, defined in the RFP are applied to the Evaluation Grid before evaluation starts.



Proposals shall be ranked according to their combined technical and financial scores using the weighting of the technical proposal and the financial proposal predefined in the RFP send to the candidates.

Please note that candidates who have not submitted their quotation before the deadline shall not be considered.

**Evaluation Challenges**

- In case all candidates have offered prices which are too high and/or the TORs need to be changed or adjusted, it is not necessary to issue a new RFP. Instead the candidates can be contacted in writing (stating the amendments and new deadline) and a revised quotation requested.
- If less than three proposals have been received, and if some candidates have declined to submit a proposal, it is allowed to proceed with the best offer provided so that the general procurement principles are met. E.g. it shall be ensured that enough candidates was shortlisted, that all candidates have been given sufficient time to submit a proposal, and that all candidates have acknowledged the receipt of the RFP. If it is not possible to find a minimum of three qualified candidates in the market, it is important to survey broader e.g. markets in neighbouring districts and countries (see section 4.11.2 for how to source new candidates). Lack of candidates in the local market is not sufficient grounds for proceeding with less than three proposals.

**MANDATORY ANNEX**

SER 3: Evaluation Grid for Negotiated Procedure

GEN 13: List of Suppliers/Candidates and Tender Receipt Form

5

Interview and Negotiation**Interview**

The candidates who are administratively compliant (having passed the questions in Part A of the Evaluation Grid) can be invited for an interview. This is not a requirement, but it is recommended. After the interviews the Procurement Committee has the possibility to change the scores in the Evaluation Grid. There is a separate column in the Evaluation Grid for this purpose.

An interview can also facilitate a discussion on identified ethical risks in order to find possible solutions or determine if the proposal shall be turned down for ethical reasons.



Negotiation

If pertinent, the Procurement Committee has the option to negotiate the terms of the contract. There are no specific procedures on negotiations except that the general procurement principles shall always be respected and negotiations shall not entail any substantial deviation from the terms and conditions of the RFP. The main purpose of negotiation is to obtain better conditions in terms of technical quality, implementation period, price, payment conditions etc.

Negotiations may however have the purpose of reducing the scope of the services or revising other terms of the contract in order to reduce the proposed remuneration. This may be necessary when the prices proposed exceed the limits of the funds available to the Contracting Authority. In this case, all candidates involved should be invited to participate in the negotiations and to potentially submit a new proposal.

The negotiations can be done by email, fax, phone or at a meeting. A written recap shall be prepared, filed, copied and submitted to the candidate.

When negotiating the terms, consider how requirements on e.g. delivery times and price may affect the candidates ability to comply with the ethical principles and standards.

6

Select Candidate and Issue Contract



Finalize evaluation and select the best and most compliant candidate whose proposal has been determined to be substantially responsive to the requirements of the RFP and has obtained the highest overall score. This provided further that the candidate has also been determined to fulfill the eligibility and non exclusion criterias.

After selecting the winning candidate the Procurement Committee issue the contract applying SER 4. Check if the standard contract has to be adapted to national legislation, traditions or requirements. Incorporate all agreements reached with the selected candidate in the contract and never delete or make alterations to the GTC.

The contract shall be forwarded unsigned to the selected candidate and returned signed to the Contracting Authority. Only thereafter shall the contract be signed by the Contracting Authority. Signing the contract creates a legally binding document for both parties.

Before signing the contract and returning the signed copy to the contractor, the Procurement Committee shall ensure:

- That adequate and exact reference is made in the Contract to the relevant RFP
- That the candidate acknowledges the GTC and the Code of Conduct for Contractors without exceptions or amendments
- For new contractors, make sure that sufficient references and company data has been obtained

Note: If the selected candidate cannot accept the GTC, the Procurement Committee shall decline the proposal and continue the process with another candidate.

MANDATORY ANNEX

- SER 3: Evaluation Grid for Negotiated Procedure
- SER 4: Contract

7

Send Letter to Unsuccessful Candidates



Once the selected contractor has returned the contract duly signed, a letter shall be sent to the unsuccessful candidates informing them of the result of the procedure i.e. the name of successful contractor, the total contract amount and the scores as per the Evaluation Grid. Apply SER 5.

MANDATORY ANNEX

SER 5: Letter to Unsuccessful Candidates

8

Publish Award Notice



For contracts above 30.000 EUR it is mandatory to publish an Award Notice applying GEN 17. The Award Notice shall be published in a suitable media where candidates will notice the information and on the Contracting Authority's website. The purpose of a public announcement is to meet the principle of transparency with the added benefit of attracting new candidates. Thus, the Award Notice is useful and recommended for all contracts.

For situations where the Procurement Committee finds that posting an Award Notice will bring project staff, beneficiaries, the project or the winning contractor at risk, the Procurement Committee may refrain from posting an Award Notice (see blanket derogation: k). This shall be duly documented.

Note: The Procurement Committee shall take notice of any specific donor requirements for publishing an Award Notice.

MANDATORY ANNEX

GEN 17: Award Notice (optional below EUR 30,000)

9

Receipt and Inspect



Ensure that the services are completed, inspected and in compliance received comply with the contract. Issue a Completion Certificate or file other relevant documentation as proof of receipt of the services e.g. a report or adapt SUP 13 to the needs. The Contracting Authority shall follow up on the timely delivery and satisfactory quality of the received services and take remedial measures to mitigate any negative consequences for the beneficiaries, caused by delay and/or any contractual shortfalls.

SUPPORT ANNEX

SUP 13: Goods Received Note

**DOCUMENTATION IN THE PROCUREMENT FILE**

- List of shortlisted candidates
- Copy of RFP
- Received proposals
- Evaluation Grid
- Contract
- Letter so Unsuccessful Candidates
- Copy of invoice
- Award Notice (optional below EUR 30,000)
- Proof of receipt of the service(s)
- Note to File (when relevant)

7.3 THE LOCAL OPEN TENDER PROCEDURE

The Local Open Tender Procedure (from here on named Local Open Tender) is more extensive and elaborate than the Negotiated Procedure. It is applicable to high value purchases of EUR 150,000 – 299,000.

A Local Open Tender requires a public and specified advertisement of a Tender Notice in the country of operation in newspapers and suitable online procurement media, with a bid flow of at least 21 days. A Local Open Tender shall provide eligible candidates in the country of operation with equal business opportunities.

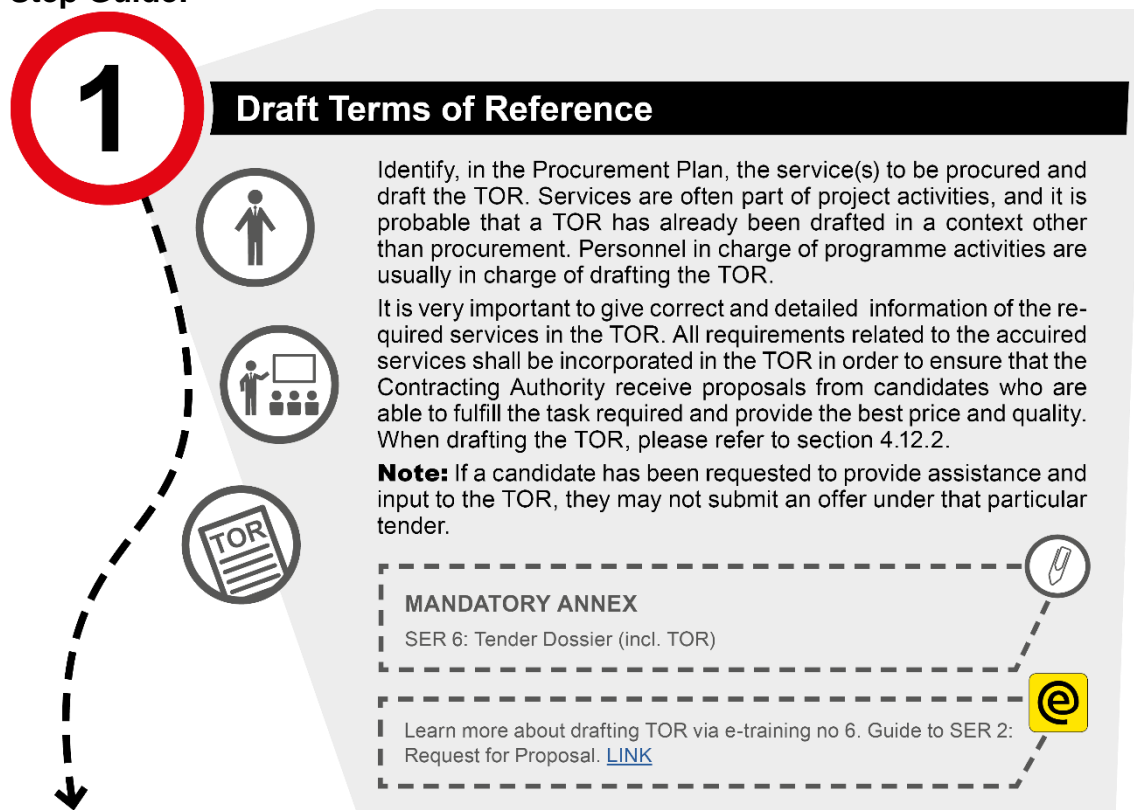
A specified Tender Dossier shall be drafted and forwarded to interested candidates who then have the opportunity to make a tender request. After the deadline of receiving tenders, they shall be opened and announced in the optional presence of all interested tenderers. Evaluation of the tenders is fulfilled by the Procurement Committee on the basis of a clearly predefined evaluation grid and the most compliant tenderer is awarded the contract. A public Award Notice is mandatory and letters to all unsuccessful tenderers shall be submitted.

As the commercial risks for high value purchases are increased, consider the use of prepayment, tender and performance guarantees. For more information on financial guarantees, see section 9.3.

Before the procurement process is initiated make sure that all members of the Procurement Committee have signed the Declaration of Impartiality and Confidentiality (GEN 2-1).

Also, please note that it is mandatory to publish a general advertisement of business opportunities (GEN 8) in the beginning of a project. This advertisement may also contain information on other business opportunities required for the project and shall be posted in the newspaper, on a notice board or in other public places before the procurement process is initiated. For more information on the general advertisement, see section 4.11.1.

Step Guide:



2

Draft Tender Dossier

Thoroughly prepare the Tender Dossier, applying SER 6. When preparing the Tender Dossier consider all the articles and options and decide on:

Deadline

Decide on the deadline for receipt of proposals. The bid flow shall be of a minimum of 21 days.

Timetable for Tender Procedure

Tenderers shall be informed of the planned timetable for the further tender procedure, incl. clarifications, deadline, tender opening date etc.

Organisation and Methodology

Consider if there is a need to include an Organisation and Methodology in the Tender Dossier. This is often the case for complex service tasks which can be performed using different methodologies or if specific risks are related to the performance of the services and there is a need to clarify how tenderers will deal with these risks.

Type of Remuneration

The Service Contract may be a 'global price' contract, a 'fee-based' contract or a mix of the two. One of the three options has to be chosen in article A.10 Financial Proposal of the Tender Dossier and in article B.7 Remuneration of the Draft Contract in SER 6.

For the 'Global price' the Contracting Authority pays the candidate according to the delivery of certain output(s), e.g. reports, workshops etc. The global price include all costs and is a total price. A major advantage of the global price contract is the simplicity of its administration. The Contracting Authority having only to be satisfied with the outputs without monitoring the staff inputs or the reimbursable expenses. Studies are usually carried out on a global price basis e.g. surveys, master plans, economic, sector, simple feasibility and engineering studies.

In fee-based contracts remuneration is based on (i) agreed unit rates for the candidate's staff multiplied by the actual time spent by the staff in executing the assignment, and (ii) reimbursable expenses using actual expenses and/or agreed unit prices. This type of contract is heavy on administration and requires the Contracting Authority to closely supervise and monitor the contractor. Fee-based contracts are used for assignments for which remuneration is being determined on the basis of the time actually spent by the contractor in carrying out the services. Such contracts are recommended when the scope of the services cannot be established with sufficient precision, or the duration and quantity of services depend on variables that are beyond the control of the contractor.

Evaluation Criteria

Article A.16 of the Tender Dossier (SER 6) instructs the candidates of the technical and financial criteria, which the Procurement Committee will use for the evaluation of the proposals. Furthermore, it informs the candidates of the weights assigned to the technical and financial scores. Finally, the article details how the Procurement Committee will weigh the various technical criteria.



For the technical evaluation criterias, defined in the tabel in article A.16, it is important to note that these are suggested criteria and it is the responsibility of the Procurement Committee to modify these to match the requirements of the contract in question. To assist the evaluation process, please define unambiguous and measurable evaluation criterias. The technical score is a sum of the points each candidate has obtained for each technical criteria.

Examples of technical evaluation criteria's could be: the candidate's experience in the field of assignment, the candidates general academic qualifications and specific experience in the region/country of the assignment, the adequacy of the proposed methodology and the work plan responding to the TOR, the candidate's availability and the required time to perform the services, CSR related politices and certifications etc.

The financial evaluation criteria is predefined in article A.16 as the formula $S_f = 100 \times F_m/F$ (S_f is the financial score of a proposal; F_m is the lowest price; and F is the price of the proposal under evaluation). This formula cannot be changed. Under the evaluation in Step 4, the Procurement Committee uses this fomula to calculate a financial score for each proposal received.

Please note that the overall score links directly to the award criteria in article A.17

Donor Requirements

Take notice of specific donor requirements such as requirements to origin and nationality, exclusivity clauses, publication rights, visibility, right to audit, exclusion and eligibility clauses, preference criteria, etc., which might require amendment of the Tender Dossier and further in the Contract.

Ethical Criterias

It is recommended to obtain general information on sector and country specific ethical risks to identify potential risks related to procuring the service in question. Is there need to include specific criteria to ethical procurement issues in the Tender Dossier such as certifications (or equivalent proof of compliance to ethical critera) or the inclusion of specific terms related to e.g. environmental or social performance?

Bank Guarantees

Will a tender-, prepayment-, or performance guarantee be required? For more information on bank guarantees, see section 9.3.

Special Conditions

Make sure to include all the special conditions for the specific contract in the Draft Contract. The Tender Dossier in SER 6 provides the basic information and wording, but each contract shall be adapted to the specific requiremetns of the project, the services required and contractual context.

MANDATORY ANNEX

SER 6: Tender Dossier

E-training no 6: 'Guide to SER 2: Request for Proposal' covers some of the articles which are also part of SER 6. Use the e-trainings as a reference tool to gain knowledge about how to use and adapt the articles in the Tender Dossier. [LINK](#)



3

Publish Tender Notice



Draft the Tender Notice applying GEN 11. The Tender Notice shall as a minimum describe: the service to be procured (incl. the essential TOR); the rules governing the submission and presentation of tenders; the exclusion, selection and award criteria; and where and when the Tender Dossier can be obtained.

Interested tenderers shall be given a minimum of 21 days to submit a tender from the date of publishing the Tender Notice until deadline (bid flow is 21 days). However, the bid flow may be longer depending on the nature of the service.

The Tender Notice shall be published in the country of operation in suitable medias e.g. newspapers, websites as well as media required by donor. To provide eligible candidates in the country of operation with equal business opportunities, the Procurement Committee is encouraged to submit the Tender Notice directly to a broad list of candidates who could be interested in participating in the tender process.

It is in the interest of the Procurement Committee to ensure the widest possible participation in the Tender to obtain the best quality and value for money.

Note: The Tender Dossier shall be available on the date of publishing the Tender Notice.

MANDATORY ANNEX

GEN 11: Business Opportunity/Tender Notice



4

Submit Tender Dossier



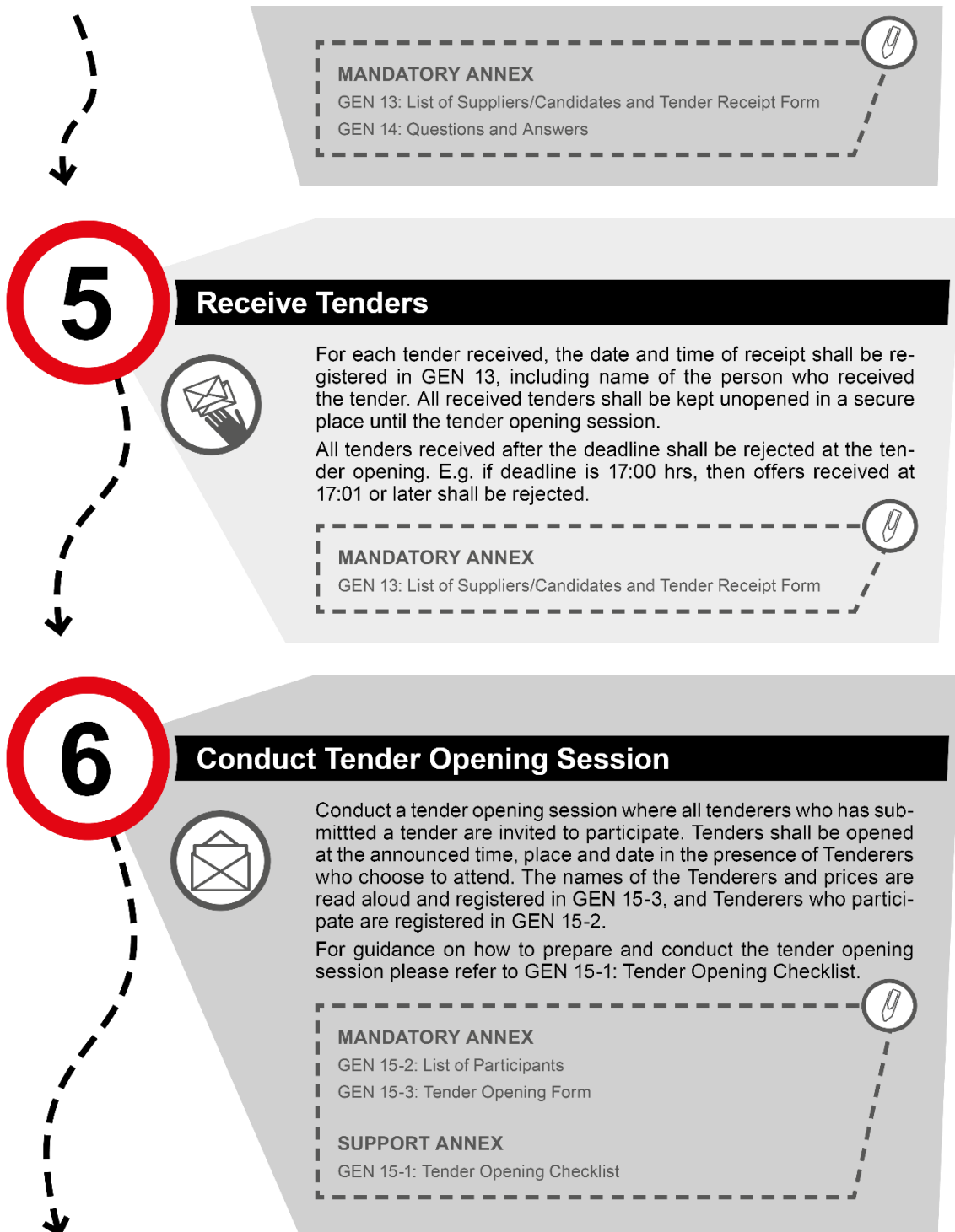
Within 1-2 days of the Tender Dossier being requested it shall be submitted to interested candidates. At this stage it is also important to communicate the ethical principles and standards to the candidates.

Use GEN 13 to keep a record of the date the Tender Dossier was submitted and to whom. Each tenderer shall be identified by a number.

Tenderers may submit questions and clarifications in writing according to date specified in the time table (article A.4) in the Tender Dossier. Information regarding interpretation of the Tender Dossier shall be requested in writing only. Tenderers are not allowed to approach the Contracting Authority for oral clarification. Clarifications to the Tender Dossier shall be documented in GEN 14 and shared with all tenderers interested in participating in the tender procedure.

Any prospective tenderer seeking to arrange individual meetings during the tender period with either the Contracting Authority and/or any other organisation with which the Contracting Authority is associated or linked to, shall be excluded from the tender procedure.

Note: Tenderers shall never pay for costs in relation to the tender process. E.g it is not acceptable procurement practice for the Contracting Authority to sell Tender Dossiers against a 'tender document fee'.



7

Ensure Administrative Compliance



After the tender opening the Procurement Committee shall carry out an administrative compliance check of the received tenders. Fill in section A of the Evaluation Grid in SER 7. This is a preliminary examination of all tenders and not an evaluation of the actual proposals.

Each tender shall be checked for administrative compliance based on the requirements set out in the Tender Dossier e.g.:

- Was the tender received before the deadline?
- Are the required no. of copies supplied?
- Is the Tender Submission Form completed and duly signed?
- Are requirements to nationality respected - if required?
- Are all the requested documents submitted and properly signed e.g. certification, references, bank guarantees, the Tender Submission Form etc. The required documents are listed under section A. Instructions to Tenderers in the Tender Dossier.

Tenders which do not comply shall be rejected and the reason for rejection shall be stated in section A of SER 7.

MANDATORY ANNEX

SER 7: Evaluation Grid for Open Tender



8

Evaluate and Select Tenderer



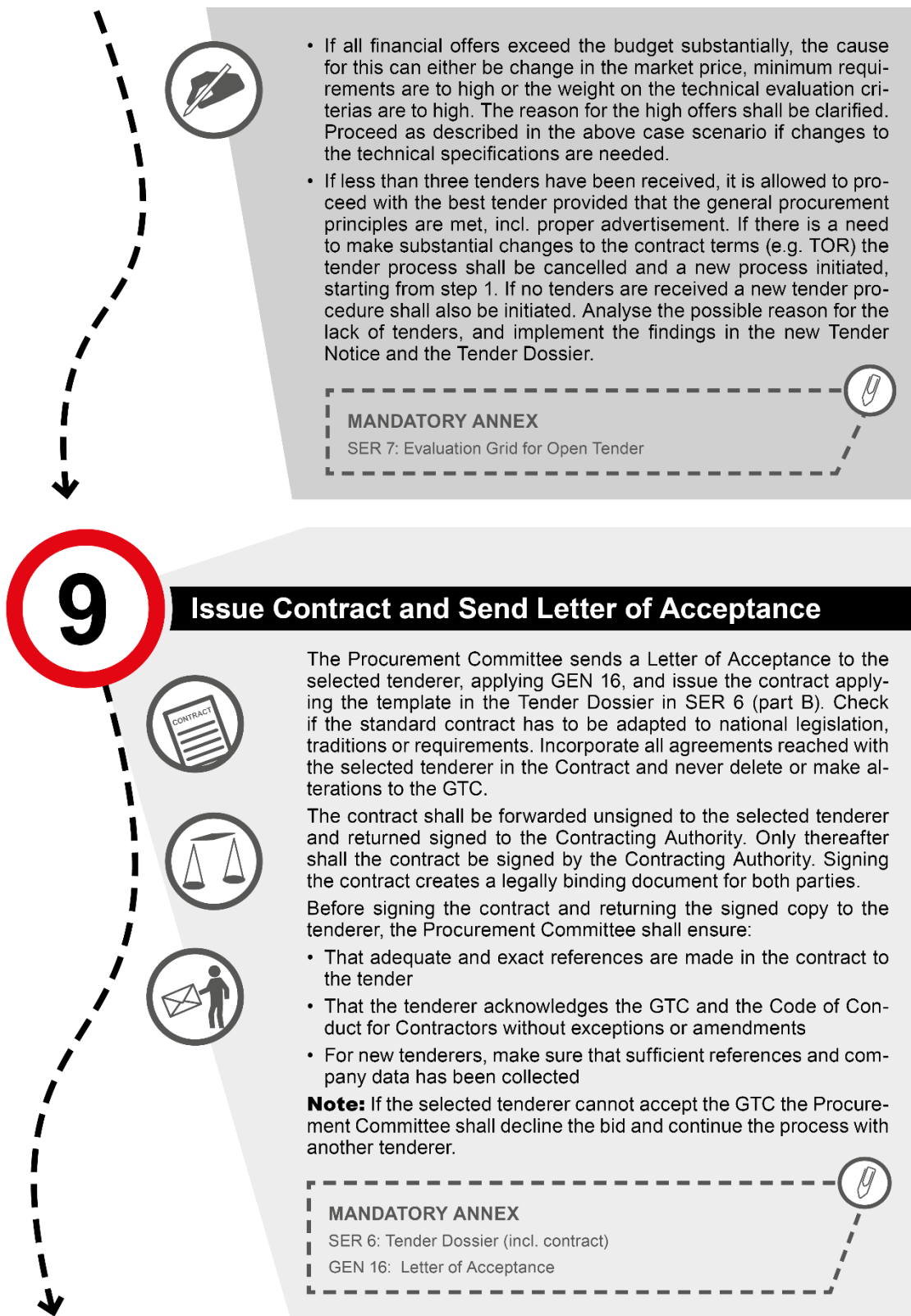
After the ensuring the administrative compliance, each member of the Procurement Committee shall receive a copy of the compliant tenders for evaluation and analysis. This evaluation shall be done in private and each member shall fill in part B and C of the Evaluation Grid in SER 7. Tenderers are not allowed to be present. Make sure all the evaluation criterias, defined in the Tender Dossier, are applied to the Evaluation Grid before evaluation starts.

After the individual evaluations an evaluation meeting is carried out where the Procurement Committee discuss their individual evaluations, draft a joint Evaluation Grid (SER 7), rank proposals and select the winning tenderer. The joint Evaluation Grid shall clearly document why the winning proposal was selected and shall be signed by all members of the Procurement Committee.

Note: During the evaluation it may be necessary to obtain clarification from a Tenderer. Depending on the type of clarification, the Tenderer shall be allowed at least 48 hours to respond. Always remember to put a deadline for receipt of the clarification and all communication shall be in writing.

Evaluation Challenges

- If there is a need to amend the TORs described in the Tender Dossier, either by reducing or increasing the minimum requirements, the tender process shall be cancelled and a new procedure initiated, starting from step 1. The deadline for submitting tenders can be reduced from 21 to 15 days (or less), depending on complexity. This emphasises the importance of drafting clear and thorough TORs and design clear evaluation criterias, from the outset of the procurement process.



10

Send Letter to Unsuccessful Tenderers



After the Contract has been signed, the Procurement Committee shall submit a notification letter to the unsuccessful tenderers notifying them of the result of the tender process. Use the template in SER 5.

MANDATORY ANNEX

SER 5: Letter to Unsuccessful Candidates



11

Publish Award Notice



It is mandatory to publish an Award Notice applying GEN 17. The Award Notice shall be published in a suitable media where candidates will notice the information and on the Contracting Authority's website. The purpose of a public announcement is to meet the principle of transparency with the added benefit of attracting new candidates. Thus the Award Notice is recommended for all contracts.

For situations where the Procurement Committee finds that posting an Award Notice will bring project staff, beneficiaries, the project or the winning contractor at risk, the Procurement Committee may refrain from posting an Award Notice (see blanket derogation: k). This shall be duly documented.

Note: The Procurement Committee shall take notice of any specific donor requirements for publishing an Award Notice.

MANDATORY ANNEX

GEN 17: Award Notice



12

Receipt and Inspect



Ensure that the services are completed, inspected and in compliance received comply with the Contract. Issue a Completion Certificate or file other relevant documentation as proof of receipt of the services e.g. a report or adapt SUP 13 to the needs. The Contracting Authority shall follow up on the timely delivery and satisfactory quality of the received services and take remedial measures to mitigate any negative consequences for the beneficiaries, caused by delay and/or any contractual shortfalls.

SUPPORT ANNEX

SUP 13: Goods Received Note





DOCUMENTATION IN THE PROCUREMENT FILE

- Copy of Tender Dossier
- Tender Notice
- Received Tenders
- Tender Receipt Form
- Questions and Answers
- Tender Opening Minutes (Checklist, List of Participants, Tender Opening Form)
- Evaluation Grid
- Contract and Letter of Acceptance
- Letter to Unsuccessful Candidates
- Copy of invoice
- Award Notice
- Proof of receipt of the service(s)
- Note to File (when relevant)

7.4 THE INTERNATIONAL OPEN TENDER PROCEDURE

The International Open Tender Procedure (from here on named International Open Tender) is similar to the Local Open Tender except for the rules applicable to advertisement of the Tender Notice and the time frame for the bid flow. International Open Tenders shall always be advertised internationally and the deadline for submitting a tender shall be at least 30 days after the Tender Notice is published. The International Open Tender is applicable for all Service Contracts above EUR 299,999.

As the commercial risks for high value purchases are increased, consider the use of prepayment, tender and performance guarantees. For more information on financial guarantees, see section 9.3.

Before the procurement process is initiated, please make sure that all members of the Procurement Committee have signed the Declaration of Impartiality and Confidentiality.

Also, please note that it is mandatory to publish a general advertisement of business opportunities (GEN 8) in the beginning of a project. This advertisement may also contain information on other business opportunities required for the project and shall be posted in the newspaper, on a notice board or in other public places before the procurement process is initiated. For more information on the general advertisement, see section 4.11.1.

Step Guide:



Draft TOR and Tender Dossier

Follow step 1-2 in the Local Open Tender Procedure in section 7.3:

- Draft Terms of Reference
- Draft Tender Dossier

3

Publish Tender Notice Internationally



Draft the Tender Notice applying GEN 11. The Tender Notice shall be published in relevant regional and international medias and shall as a minimum describe: the services to be procured (incl. the essential TORs); the rules governing the submission and presentation of tenders; the exclusion, selection and award criteria; and where and when the Tender Dossier can be obtained.

Interested tenderers shall be given a minimum of 30 days to submit a tender from the date of publishing the Tender Notice (bid flow is 30 days). However, the bid flow may be longer depending on the nature of the services. Tenderers may submit a bid from the day of publishing the Tender Notice until the deadline.

The Tender Notice shall be published in suitable procurement medias e.g. newspapers, websites and medias required by donor in the country of operation and internationally.

If the project is funded by the World Bank, EU or UN, then the Tender Notice can be published on devbusiness.com. If it is funded by other donors, the Tender Notice can be published on dgmarket.com. When feasible, advertising in technical magazines and trade publications shall be envisaged. It is also recommended to advertise the Tender Notice on TED ted.europa.eu.

It is in the interest of the Procurement Committee to ensure the widest possible participation in the Tender to obtain the best quality and value for money.

Note: The Tender Dossier shall be available on the date of publishing the Tender Notice.

MANDATORY ANNEX

GEN 11: Business Opportunity/Tender Notice



4-12

From Submitting Tender Dossier till Receipt



Follow step 4-12 in the Local Open Tender Procedure in section 7.3:

- Submit Tender Dossier
- Receive Tenders
- Conduct tender opening session
- Ensure administrative compliance
- Evaluate and select tenderer
- Issue contract and send Letter of Acceptance
- Send Letter to Unsuccessful Tenderers
- Publish Award Notice
- Receipt and inspect



DOCUMENTATION IN THE PROCUREMENT FILE

- Copy of Tender Dossier
- Tender Notice
- Received Tenders
- Tender Receipt Form
- Questions and Answers
- Tender Opening Minutes (Checklist, List of Participants, Tender Opening Form)
- Evaluation Grid
- Contract and Letter of Acceptance
- Letter to Unsuccessful Candidates
- Copy of invoice
- Award Notice
- Proof of receipt of the service(s)
- Note to File (when relevant)

7.5 LEGAL ASPECTS – EMPLOYMENT CONTRACTS VERSUS SERVICE CONTRACTS

The standard documents and related tendering procedures do not, in principle, apply to employment contracts i.e. where the Contracting Authority hires an individual for the provision of the equivalent services under an employee-employer relationship. There is much legal discussion about the distinction between a Service Contract and an Employment Contract.

Some generally accepted criteria to determine the existence of an employment relationship are:

- A relationship of subordination
- The technical and functional integration of the worker into the productive and organisational structure of the client
- The exercise of managerial and disciplinary powers that is to be found, strictly speaking, only in subordinate/employment relationship
- The commercial risk relating to the activity, resting finally with the client
- The form of payment/salary (not linked directly to a result, in an employment relationship)

This distinction might not have much significance under certain legal systems (such as in Denmark), where labour law is flexible and allows forms of employment which are qualified by the ILO as "a typical employment", including part time work and fixed term contracts.

Under many other national systems (e.g. in many Latin, civil-law countries), the distinction is fundamental because of a rigid labour law which imposes strict dismissal procedures for all kinds of employment contracts, and very limited possibilities for entering fixed-term contracts. When operating in a country with rigid labour law, Contracting Authorities shall be very careful never to sign a contract which could be qualified by a court in the project country as an Employment Contract. The risk being of not having the possibility of terminating the relationship at the expiry of the services, or at the price of a costly dismissal procedure; plus the risk of the application of all labour law protective provisions in favour of the "employee".

The Service Contract (SER 4) exclude clearly any link of subordination between the Contracting Authority and a service provider and places a clear responsibility on a service provider in respect of the outcomes of the provided services.

8 WORKS CONTRACTS

This chapter provides a step by step guide for Procurement Procedures applicable to Works Contracts according to contract value.

Since Works Contracts with a value above EUR 300,000 are unlikely to occur, the Local Open Tender and International Open Tender Procedure will not be described in this Manual. Should the procedures be required, please contact the DCA Desk Officer at the County Office or the DCA Procurement and Logistics Unit for assistance and standard tender documents.

'Works' means the outcome of building or civil engineering taken as a whole and sufficient to fulfil an economic or technical function. Works Contracts cover either the execution or both execution and design of works or the realisation of a work corresponding to the requirements specified by the Contracting Authority. It is a Works Contract when an entrepreneur or construction company has the obligation of delivering works and is responsible for hiring and/or buying the necessary resources to fulfil this obligation (i.e., the entrepreneur hires the labour, brings all equipment and buys the construction materials and resources).

Examples of Works Contracts are: construction, reconstruction, demolition, repair or renovation of a building, structure or works, such as site preparation, excavation, erection, building, drilling etc.

Customs and regulations play a large part in the procurement of works and the Request for Proposal and contract shall be adapted as necessary to the risks and requirements of the specific works to be procured and the context in which the project is executed. It is though important to be aware that too strict requirements may discourage companies to submit proposals and entering a contract.

NOTE: Please read section 8.3 (Legal Aspects) concerning specific legal risks and necessary precautions for Works Contracts before proceeding.

| WORKS | | |
|-------------------------|---------------------------|--|
| EUR 300 - 9,999 | Simple Procedure | See section 8.1 |
| EUR 10,000 - 299,999 | Negotiated Procedure | See section 8.2 |
| EUR 300,000 - 2,999,000 | Local Open Tender | Contact DCA Desk Officer for instructions and standard documents |
| Above EUR 3,000,000 | International Open Tender | Contact DCA Desk Officer for instructions and standard documents |

Ethical Considerations

The procurement of works is very complex and involves specific ethical risks, which are related to employees' labour rights and companies social and environmental responsibilities as well as the production, handling and/or transport of products. In order to avoid or prevent ethical risks, it is important to consider which risks are related to the procurement of works in a specific context. It is recommended to include ethical considerations in the market survey and to conduct a small scale research on the contractors' ethical business performance in the sourcing process and further make procurement decisions which seek to avoid or manage the identified ethical risks. Also consider how internal purchasing practices may influence contractors' ability to meet ethical requirements and standards e.g. short lead times, changes to specifications and negotiating prices. Please ensure always to communicate the ethical principles and standards to potential contractors either by personal contact or by publishing the Code of Conduct for contractors (for more information on ethical procurement principles and implementation, see section 1.2 + 1.2.1).

The Administration and Supervision of Works Contracts

An engineer or a project manager with necessary construction experience shall be hired prior to the Procurement Procedure being initiated to administrate and supervise the process or the works e.g. prepare technical specifications, draft contract etc. Please apply SER 1 for this type of contract.

The administration and supervision of a Works Contract can also be entrusted to a qualified employee of the Contracting Authority, e.g. the project manager. In the Works Contract with the contractor, the provisions concerning the engineer are made applicable to the project manager, see article 1 of the GTC. However, it is important to establish a specific job description for the assignment which would include the main provisions of the contract for engineering services.

8.1 THE SIMPLE PROCEDURE

The Simple Procedure is the simplest Procurement Procedure. This procedure is, applicable within the threshold of EUR 300 - 9,999.

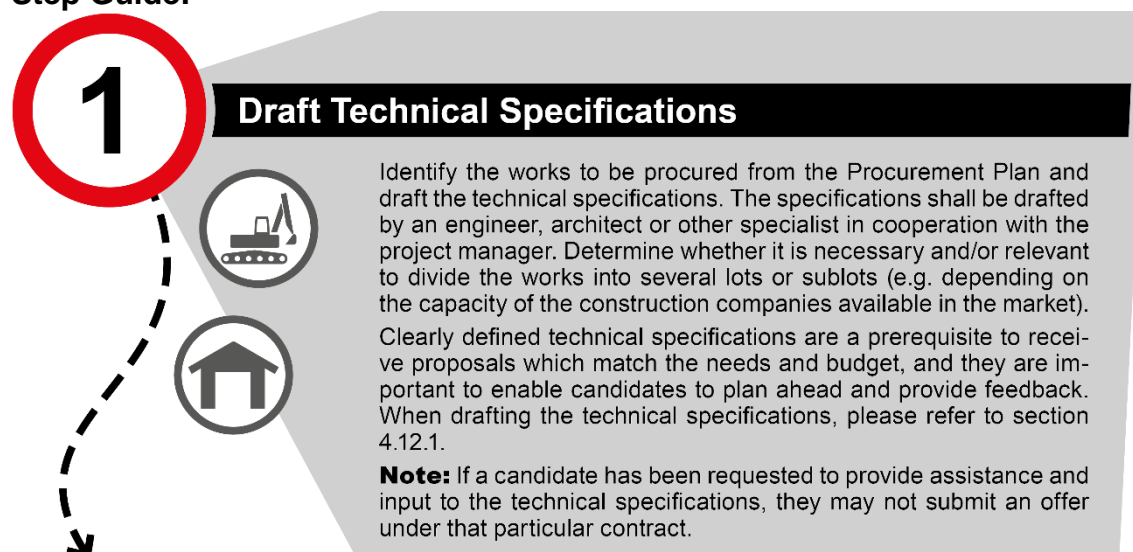
For the Simple Procedure it shall be documented that the price corresponds with, or is lower than the market price (meeting the technical requirements). To establish this you can either obtain three verbal or written proposals, search the internet, or refer to recent contracts. Make sure to have at least three prices for comparison. Verbally obtained prices are captured in a Note to File and kept in the procurement file. Before the procurement process is initiated, please make sure that all members of the Procurement Committee sign the Declaration of Impartiality and Confidentiality (GEN 2-1).

Also, please note that it is mandatory to publish a general advertisement of business opportunities (GEN 8) in the beginning of a project. This advertisement may also contain information on other business opportunities required for the project and shall be posted in the newspaper, on a notice board or other public places before the procurement process is initiated. For information on this advertisement, see section 4.11.1.

Contracts below EUR 2,000

It is mandatory to issue a contract for procurement above the value of EUR 2,000. For procurement below EUR 2,000, it is optional to issue a contract, but an invoice shall in all cases be received and filed. As this lower boundary allows for more flexibility in issuing contracts under the value of EUR 2,000, it is important to be aware of the risks involved. In order to minimise risks and ensure that contractors are aware of the GTC and Code of Conduct for Contractors, in some contexts it may be advisable to issue a contract for purchases of a value less than EUR 2,000. Please ensure that this does not conflict with donor requirements.

Step Guide:



2

Obtain Proposals

Approach the candidates for a written or non-written quotation, search the internet for the best price and quality or refer to recent contracts to ensure that the price corresponds with the present market price or lower. Make sure to have at least three proposals for comparison and file the obtained proposals in the procurement file.

If a non-written proposal is obtained the Procurement Committee shall make a written note of the price, name of candidate, description of service and note the date. This note shall be filed in the procurement file.

Although optional, it is recommended to use a written RFP, applying WOR 1. The advantage of using a written RFP is that it prevents misunderstandings and ensures that all the required information is obtained in one go and in writing.

When preparing the RFP, take into consideration whether the contract is of low or high risk of delays, insurance uncertainties, deficient quality, uncertainties on permits or authorisation, lack of capacity to administrate contract etc.; and whether the construction company is a small company or a large international company. For information on legal aspects, see section 8.3. The higher the value and risk involved, it becomes more important to include clauses ensuring the execution of the works and protecting the interest of the Contracting Authority. It is though important to be aware that too strict requirements may discourage companies from lodging a proposal.

At this stage it is also important to obtain general information on sector and country specific ethical risks. This will assist in identifying potential risks related to procuring the works in question. Define requirements to e.g. certifications, CSR policies etc. and communicate the ethical requirement and standards to the candidates.

SUPPORT ANNEX

WOR 1: Request for Proposal

3

Evaluate and Select Candidate

Evaluate the proposals and select the candidate offering the best price meeting the technical specifications. Issue a Note to File with a justification on the selection of the candidate. For evaluation purposes it may be useful to apply the Evaluation Grid found in WOR 3, which is also used for the Negotiated Procedure.

SUPPORT ANNEX

WOR 3: Evaluation Grid and Report

4

Issue Contract



After selecting the best offer a contract shall be issued by the Procurement Committee, applying WOR 2. Check if the contract has to be adapted to existing legislation, traditions and requirements. Works Contracts are complex contracts and the higher the value and risks involved, it becomes more important to include clauses ensuring the execution of the works and protecting the interest of the Contracting Authority.

The standard contract in WOR 2 includes the GTC and the Code of Conduct for Contractors which shall never be amended. If amendments to the GTC are needed, instructions has to be included in the contract itself. Incorporate into the contract all agreements reached with the selected candidate (e.g., amount of global price, bank account references, etc.). Please consider carefully the legal issues specified in section 8.3.

Note that the RFP (WOR 1) and contract (WOR 2) templates are designed for 'global price' contracts only. Global price contracts are generally used for Works that can be defined in their full physical and qualitative characteristics before proposals are called for, or where the risks of substantial design variations are minimal. This is usually construction of buildings, pipe laying, power transmission towers, and series of small structures, such as shelters, latrines, ablution units, which are the most commonly constructed buildings under projects.

The contract shall be forwarded unsigned to the selected candidate and returned signed to the Contracting Authority. Only thereafter shall the contract be signed by the Contracting Authority. Signing the contract creates a legally binding document for both parties.

Before signing the contract and returning the signed copy to the contractor, the Procurement Committee shall ensure:

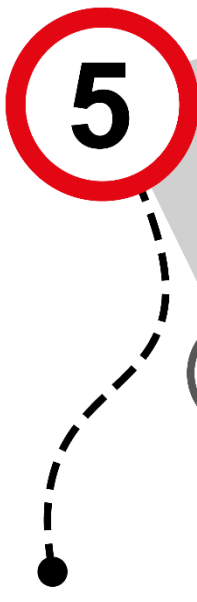
- That adequate and exact reference is made in the contract to the relevant RFP or proposal
- That the contractor acknowledges the GTC and the Code of Conduct for Contractors without exceptions or amendments
- For new contractors, make sure that sufficient references and company data has been obtained

Note: If the selected candidate cannot accept the GTC, the Procurement Committee shall decline that proposal and proceed the process with another candidate.

MANDATORY ANNEX

WOR 2: Contract (Optional below EUR 2,000)






5 Receipt and Inspection

The Contracting Authority shall follow up on the timely delivery and satisfactory quality of the received Works and take remedial measures to mitigate any negative consequences for the beneficiaries, caused by late delivery and/or shortfall in the agreed quantity and quality.

The administration of a Works Contract and the inspection of the works require a particular expertise in this area. For example, the "measurement" of the works (Art. 39 of the GTC) and the determination whether the works can be considered "completed" (Art. 45 of the GTC) cannot be undertaken by someone other than an engineer or a project manager having the adequate qualifications. A qualified engineer should not have difficulties in identifying the standard contractual clauses and in taking all necessary dispositions (issuance of instructions, notices, certificates) to ensure proper execution of the works. After inspection and approval of the works, a Certificate of Final Completion shall be signed and filed in the procurement file.



DOCUMENTATION IN THE PROCUREMENT FILE

- Copy of Procurement Request (optional)
- Proof of minimum 3 prices/proposals
- Evaluation/justification for selection of candidate
- Contract (optional below EUR 2000)
- Copy of invoice
- Certificate of Final Completion
- Note to File (when relevant)

8.2 THE NEGOTIATED PROCEDURE

The Negotiated Procedure is more formal than the Simple Procedure. This procedure is applicable within the threshold of EUR 10,000 – 299,000 and requires that a minimum of three candidates are invited simultaneously to submit a proposal based on a written RFP. The contract shall be awarded to the most compliant candidate. It is mandatory to publish an Award Notice for contracts above EUR 30,000 and letters to all unsuccessful candidates shall always be submitted.

The Negotiated Procedure is less formal than a Local Open Tender and gives the opportunity to negotiate the terms of the contract.

Before the process is initiated, please make sure that all members of the Procurement Committee have signed the Declaration of Impartiality and Confidentiality (GEN 2).

Also, please note that it is mandatory to publish a general advertisement of business opportunities (GEN 8) in the beginning of a project. This advertisement may also contain information on other business opportunities required for the project and shall be posted in the newspaper, on a notice board or in other public places before the procurement process is initiated. For more information on the general advertisement, see section 4.11.1.

Step Guide:

1

Draft Technical Specifications

Identify the works to be procured from the Procurement Plan and draft technical specifications. The specifications shall be drafted by an engineer, architect or other specialist in cooperation with the project manager. Determine whether it is necessary and/or relevant to divide the works into several lots or sublots (e.g. depending on the capacity of the construction companies available in the market).

Clearly defined technical specifications are a prerequisite to receive proposals which match the needs and budget, and they are important to enable the candidates to plan ahead and provide feedback on the specifications. When drafting the technical specifications, please refer to section 4.12.1.

Note: If a candidate has been requested to provide assistance and input to the technical specifications, they may not submit an offer under that particular contract.

MANDATORY ANNEX

WOR 1: Request for Proposal

2

Prepare Short List

Prepare a short list with a minimum of three candidates applying GEN 13. It is though recommended to include 4-8 candidates to ensure that a minimum of three proposals are obtained. For more information on sourcing candidates see section 4.11.2.

Before shortlisting the candidates, the following shall be evaluated:

- The candidate's previous experience with similar Works
- The candidate's references
- Implementation capacity of the candidate
- Experience of the staff
- The candidate's access to plant and equipment

At this stage it is also recommended to obtain general information on sector and country specific ethical risks to identify potential risks related to procuring the Works in question. Include the information in the sourcing decisions and further in drafting the RFP. See section 1.2.1 for implementation of the ethical procurement principles.

MANDATORY ANNEX

GEN 13: List of Suppliers/Candidates and Tender Receipt Form

3

Draft Request for Proposal

Thoroughly prepare the RFP, applying the template in WOR 1, and approach the candidates for a proposal. The RFP shall be forwarded simultaneously (same day) to all the shortlisted candidates. It is recommended to provide candidates with a minimum of two weeks to submit a proposal. This is to ensure that all candidates are given an equal amount of time to prepare and submit their proposal.

One way of ensuring responses, is to submit a cover letter together with the RFP, in which the main requirements to filling in the form is highlighted (see GEN 1-2: Guidance letter to Suppliers).

When preparing the RFP consider all the articles and options and decide on:

High Risk Contract

Is the Contract of low or high risk in terms of delays, insurance uncertainty, deficient quality, uncertainty on permits or authorisation, lack of capacity to administrate contract etc. and whether the construction company is a small company, operating in the project country only, or a large international company. The higher the value and risk involved, it becomes more important to include clauses ensuring the execution of the works and protecting the interest of the Contracting Authority. For information on legal aspects, see section 8.3. It is though important to be aware that too strict requirements may discourage small companies from lodging a proposal.

Evaluation Criterias

Article A.15 of the RFP instructs the candidates of the technical and financial criterias, which the Procurement Committee will use for the evaluation of the proposals. Furthermore, it informs the candidates of the weights assigned to the technical and financial scores. Finally, the article detail how the Procurement Committee will weigh the various technical criterias.

Article A.15 suggest a set of predefined technical evaluation criterias with preassigned weights. These can be changed by the Procurement Committee to match the specific needs of the Works Contract in question. The technical score is a sum of the points each candidate has obtained for each technical criteria.

The financial evaluation criteria is predefined in article A.15 as the formula $S_f = 100 \times F_m / F$ (S_f is the financial scores of a proposal; F_m is the lowest price; and F is the price of the proposal under evaluation). This formula cannot be changed. Under the evaluation in Step 4, the Procurement Committee uses this formula to calculate a financial score for each proposal received.

The overall score is calculated per proposal using the following pre-defined formula: $(S_t \times 40\%) + (S_f \times 60\%) = \text{overall score}$ (S_t being the technical proposal and S_f the financial proposal).

The assigned weights of 40% and 60% are flexible and the Procurement Committee shall adapt the weight to the specific needs with respect to the budget available (weight of financial proposal) and the technical and quality requirements (weight of the technical proposal) for the Works Contract. Please take note that assigning a high weight to the financial proposal will indicate that price is the most important factor of the two, and the overall score will favour the cheapest price. Is the heighest weight assigned to the technical proposal the emphasis is on the quality and technical requirements.



This will require a robust budget as there tends to be a link between quality and price.

Please note that the overall score links directly to the Award Criteria in article A.16

Ethical Criterias

It is recommended to obtain general information on sector and country specific ethical risks to identify potential risks related to procuring the works in question. Is there need to include specific criteria to ethical procurement issues in the RFP such as certifications (or equivalent proof of compliance to ethical criteria) or the inclusion of specific terms related to e.g. environmental or social performance? Note that non compliance to employees health and safety are often high risk areas for Works Contracts, and should be addressed specifically in an article in the RFP.

Donor Requirements

Take notice of specific donor requirements such as requirements to nationality, exclusivity clauses, publication rights, visibility, right to audit, exclusion and eligibility clauses, preference criteria, etc., which might require amendment of the RFP.

Bank Guarantees

Will a prepayment-, tender- or a performance guarantee be required? For more information on bank guarantees, see section 9.3.

Subcontracting

Decide if subcontracting is to be allowed? Be aware that subcontracting may induce a high risk in some contexts.

Follow Up

To ensure that sufficient offers will be received on time it is recommended to contact all shortlisted candidates 1-2 days after submitting the RFP to ask if they intend to submit a proposal. When a short deadline is required, it is particularly good practice to follow up to explain the importance of completing the Submission Form and submitting the offer prior to the deadline.

MANDATORY ANNEX

WOR 1: Request for Proposal

SUPPORT ANNEX

GEN 1-2: Guidance Letter for Suppliers



4

Register Proposals and Initiate Evaluation



Upon receipt of the quotations the date and time of receipt are re-sitred in GEN 13 and the Procurement Committee initiate the evaluation, utilising the Evaluation Grid in WOR 3. Make sure all the evaluation criterias, defined in the RFP are applied to the Evaluation Grid before evaluation starts.

Proposals shall be ranked according to their combined technical and financial scores using the weighting of the technical proposal and the financial proposal predefined in the RFP send to the candidates.

Please note that candidates who have not submitted their quotation before the deadline shall not be considered.



Evaluation Challenges

- In case all candidates have offered prices which are too high and/or the technical specifications need to be changed or adjusted, it is not necessary to issue a new RFP. Instead the candidates can be contacted in writing (stating the amendments and new deadline) and a revised quotation requested.
- If less than three proposals have been received, and if some candidates have declined to submit a proposal, it is allowed to proceed with the best offer provided so that the general procurement principles are met. E.g. it shall be ensured that enough candidates was shortlisted, that all candidates have been given sufficient time to submit a proposal, and that all candidates have acknowledged the receipt of the RFP. If it is not possible to find a minimum of three qualified candidates in the market, it is important to survey broader e.g. markets in neighbouring districts and countries. See section 4.11.2 for how to source new candidates. Lack of candidates in the local market is not sufficient grounds for proceeding with less than three proposals.

MANDATORY ANNEX

WOR 3: Evaluation Grid and Report

GEN 13: List of Suppliers/Candidates and Tender Receipt Form



5

Negotiation



If pertinent, the Procurement Committee has the option to negotiate the terms of the contract. There are no specific procedures on negotiations except that the general procurement principles shall always be respected and negotiations shall not entail any substantial deviation from the terms and conditions of the RFP. The main purpose of negotiation is to obtain better conditions in terms of technical quality, implementation period, price, payment conditions etc.

Negotiations may however have the purpose of reducing the scope of the Works or revising other terms of the Contract in order to reduce the total price. This may be necessary when the prices proposed exceed the limits of the funds available to the Contracting Authority. In this case, all candidates involved should be invited to participate in the negotiations and to potentially submit a new proposal.

The negotiations can be done by email, fax, phone or at a meeting. A written recap shall be prepared, filed, copied and submitted to the Candidate.

When negotiating the terms, consider how requirements on e.g. delivery times and price may affect the candidates ability to comply with the ethical principles and standards.

6

Select Candidate and Issue Contract



Finalize evaluation and select the best and most compliant candidate whose proposal has been determined to be substantially responsive to the requirements of the RFP and has obtained the highest overall score. This provided further that the candidate has also been determined to fulfil the eligibility and non exclusion criterias.

After selecting the winning candidate the Procurement Committee issue the contract applying WOR 2. Check if the standard contract has to be adapted to national legislation, traditions or requirements to Works Contracts.

Works Contracts are complex and the higher the value and risks involved, the more important it becomes to include clauses ensuring the execution of the works and protecting the interest of the Contracting Authority. It is though important to be aware that too strict requirements may discourage smaller companies from entering the contract.

The standard contract in WOR 2 includes the GTC and the Code of Conduct for Contractors which shall never be amended. If amendments to the GTC is needed, instructions has to be included in the Contract itself. Incorporate into the contract all agreements reached with the selected candidate (e.g., amount of global price, bank account references, etc.). Please consider carefully the legal issues specified in section 8.3.

Note that the RFP (WOR 1) and contract (WOR 2) templates are designed for 'global price' contracts only (total price for the entire assignment). Global price contracts are generally used for works that can be defined in their full physical and qualitative characteristics before proposals are called for, or where the risks of substantial design variations are minimal. This is usually construction of buildings, pipe laying, power transmission towers, and series of small structures, such as shelters, latrines, ablution units, which are the most commonly constructed buildings under projects.

The contract shall be forwarded unsigned to the selected candidate and returned signed to the Contracting Authority. Only thereafter shall the contract be signed by the Contracting Authority. Signing the contract creates a legally binding document for both parties.

Before signing the contract and returning the signed copy to the contractor, the Procurement Committee shall ensure:

- That adequate and exact reference is made in the contract to the relevant RFP
- That the contractor acknowledges the GTC and the Code of Conduct for Contractors without exceptions or amendments
- For new contractors, make sure that sufficient references and company data has been obtained

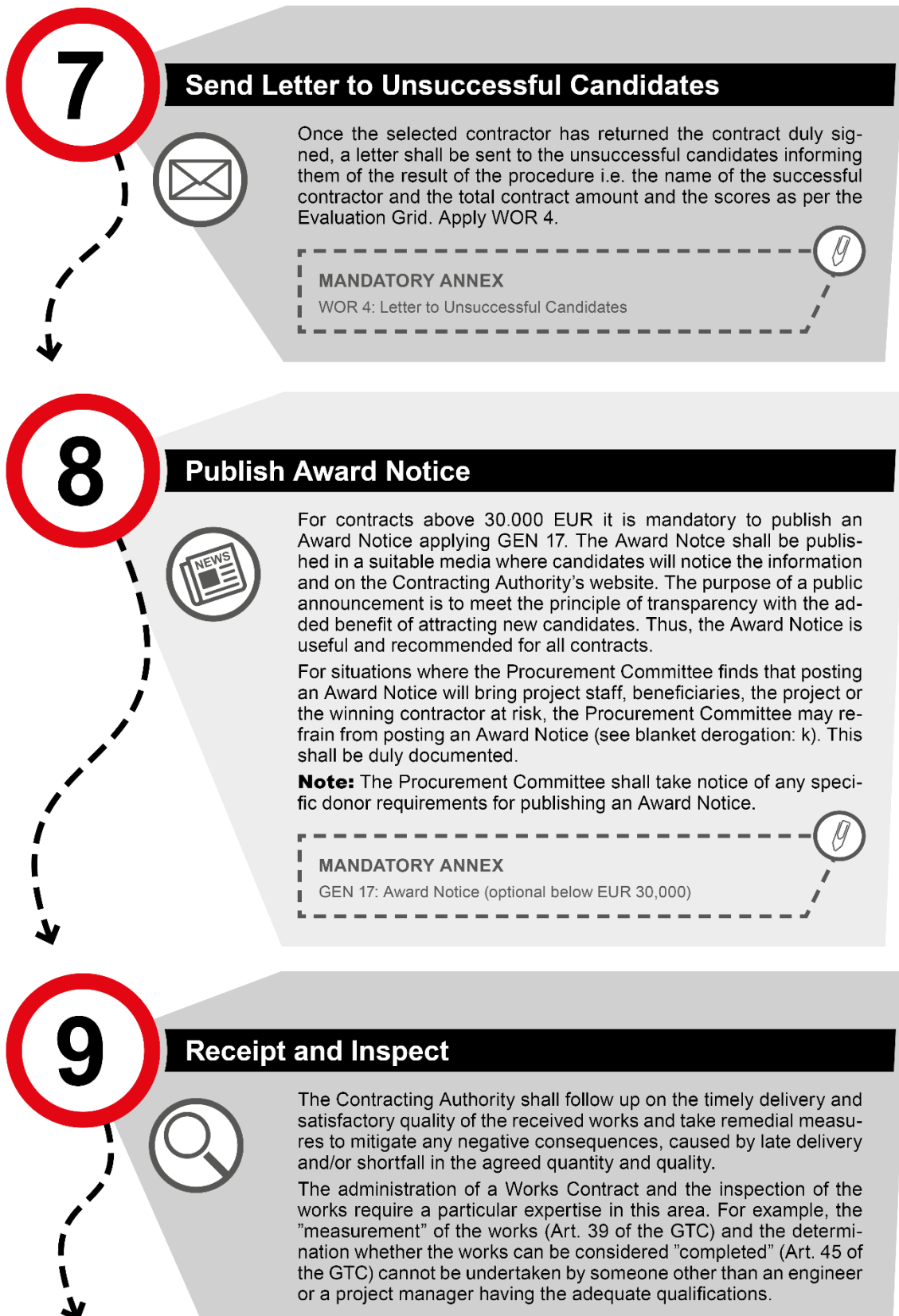
Note: If the selected candidate cannot accept the GTC, the Procurement Committee shall decline the proposal and continue the process with another candidate.

MANDATORY ANNEX

WOR 3: Evaluation Grid for Negotiated Procedure

WOR 2: Contract







A qualified engineer should not have difficulties in identifying the standard contractual clauses and in taking all necessary dispositions (issuance of instructions, notices, certificates) to ensure proper execution of the works. After inspection and approval of the works, a Certificate of Final Completion shall be signed and filed in the procurement file.



DOCUMENTATION IN THE PROCUREMENT FILE

- List of shortlisted candidates
- Copy of RFP
- Received proposals
- Evaluation Grid
- Contract
- Letter to Unsuccessful Candidates
- Copy of invoice
- Award Notice (optional below 30,000)
- Certificate of Final Completion
- Note to File (when relevant)

8.3 LEGAL ASPECTS

For Works Contracts special precautions have to be taken due to the inherently high legal risks and the complexity of the contracts. The following three sections describe in short some of the main legal issues of concern when applying Works Contracts.

Legal Risks for Works Contracts

- Inherent risk for serious accidents/damages and uncertainty about insurance coverage
- Inherent risk for delays
- Risk of deficient quality
- The Contracting Authority lack capacity in managing and administering Works Contracts
- Possible uncertainty on building permits and authorisations
- In particular uncertainty about the legal status of the lands where buildings are to be constructed

Recommended Precautions

The following precautions are recommended when applying Works Contracts:

- Works projects shall only be undertaken in collaboration with partners with an established record and expertise in construction.
- An engineer or a project manager with necessary construction experience appointed shall be hired. This shall be done before the start of the Procurement Procedure, to make sure he/she is involved in the preparation of the Works Contract and the technical specifications, and he/she can participate in the Procurement Procedure for the works (please refer to the contract for Engineering Services in SER 1).
- International technical assistance shall be obtained when capacity is lacking in the project country - e.g. obtain advice from an international engineer on the necessary technical specifications of the works.
- An insurance company shall be contacted in advance to determine what kind of insurance coverage will be available, at which price and under which conditions. Clauses 17 of the GTC and article A.20 of the contract will have to be amended accordingly.

- A legal opinion from a reputable law firm in the country where the works are to be carried out shall be obtained at the project feasibility stage to ensure that:
 - All necessary authorisation and building permits can be obtained on time and without major uncertainties.
 - There is a valid and official title to the land in the name of the legal person/authority who is involved in the project and willingness to put the land at disposal of the works/or who is recipient of the works (e.g. municipal authority). Ensure the necessary official approvals have been given and appropriate legally binding commitments from the owner of the land exists (article A.15 of the contract in WOR 2).
 - Mandatory applicable laws and regulations in the country of execution are known in advance and incorporated in the conditions of the contract (article A.12 in WOR 2, and article A.12 in the RFP (WOR 1). See also section 9.4 and 9.5 on applicable law and settlement of disputes).
 - The legal length of the defects liability period is established (article 47 of GTC and contract in WOR 2).
 - Appropriate insurance coverage is provided for in the proposed contract and legally enforceable in the country of execution.

Complexity of the Contractual Provisions and Administration

Because of the inherent risks in construction activities, the Works Contract is necessarily a complex and complicated contract which strives to distribute the risks, rights, obligations and liabilities of the parties. The GTC for Works Contracts is inspired by internationally recognised practices, terms and clauses in the construction business. The administration of a Works Contract requires particular expertise in this area and cannot be left to someone other than an engineer or a project manager having the adequate qualifications (for example, the "measurement" of the works (art. 39) and the determination that the works can be considered "completed" (art. 45 + 51). A qualified engineer should not have difficulties in identifying the standard contractual clauses and in taking all necessary dispositions (issuance of instructions, notices, certificates) to ensure a proper execution of the works. Entering a proper Service Contract with an engineer for that purpose is therefore also crucial (see SER 1).

A difficult part in the administration of a Works Contract is the determination of "interim payments" (art. 40 of the GTC) due to the contractor, based on the measurement of the works.

Although the GTC for Works Contracts provide for two different kinds of contracts, a "global price" contract or a "fee-based" contract, the RFP refers only to global price contracts. Global price contracts are generally used for works that can be defined in their full physical and qualitative characteristics before tenders/proposals are requested, or where the risks of substantial design variations are minimal, usually construction of buildings, pipe laying, power transmission towers, and series of small structures, such as shelters, latrines, ablution units etc.

Applicable Law and Settlement of Disputes

The issues mentioned in section 9.4 and 9.5 are of particular importance and relevance in the context of a Works Contract. A Procurement Procedure for an international Works Contract shall not be initiated unless and until all issues critical to land rights and the allocation of risks have been assessed by a lawyer, both under the conditions and the law of the country of execution of the works and the applicable law - if different. In the area of construction, many mandatory rules are likely to override the contractual provisions. Labour law in the project country has also to be taken into consideration in respect of labour used on the site.

Article 61 of the GTC contains provisions for an amicable settlement of disputes. Failing such settlement, article 61.2 of the GTC and corresponding article 61 in the contract, give the Contracting Authority the option of choosing a court or an arbitration clause. When choosing arbitration, the arbitration body, the place of arbitration and the arbitration rules shall be specified in the contract. Depending on the country, the region, the legal system, the scope and circumstances of the Construction Contract in question, available options for arbitration may vary considerably.

9 LEGAL ASPECTS

This chapter describes some of the general legal aspects of concern to Supply-, Service- and Works Contracts.

9.1 CONTRACTUAL DOCUMENTS

The different types of contracts are comprised of a series of documents including special conditions, GTC, Code of Conduct for Contractors, TOR, technical specifications and other relevant documents which shall be listed in the clause “Order of Precedence of Contract Documents” in the contract. When doing so, documents shall generally be listed in the order from specific to more general. In case of later dispute about interpretation of contradicting provisions, the most specific obligation takes precedence over the general one.

Only the draft contract and different respective annexes can be amended and filled in. Note that the text of the GTC and Code of Conduct for Contractors shall never be amended. However, that does not mean that there cannot be derogation(s) to some of their provisions. The GTC contain a list of rights and obligations which shall always apply in contracts, unless it is specifically indicated otherwise in the contract.

9.2 VALIDITY PERIOD OF THE QUOTE / PROPOSAL / TENDER

When replying to a Tender Dossier, RFQ or RFP, the invited company binds itself for the duration of the “validity period” which runs from the date of submission of its offer and a chosen date (the duration shall be chosen carefully). The company legally obliged to enter the contract with the Contracting Authority under the conditions of its quote/proposal/tender. If it is foreseen that a given Procurement Procedure is going to be particularly burdensome and there is a risk that an invited company, in spite of this legal obligation, withdraws its offer or refuses to enter into the contract, the option of a Tender Guarantee shall be retained when preparing the Tender Dossier (see section 9.3).

If it is foreseen that the evaluation process or the negotiations are taking more time than expected and the contract cannot be awarded before the expiry of the validity period, the invited suppliers/candidates shall be requested to confirm in writing that they grant an extension of the validity of their quote/proposal/tender until a new specified date.

9.3 PREPAYMENT, TENDER & PERFORMANCE GUARANTEES

Each set of documents includes the possibility of requesting financial guarantees: prepayment guarantee, tender guarantee and performance guarantee. These guarantees consist of a written declaration from a bank or an insurance company (or another financial institution, depending on the financial system in a given country) that if the supplier/candidate fails to comply with its obligations towards the Contracting Authority, the bank/insurance company will satisfy the Contracting Authority's claim for a certain financial amount.

Different countries have different financial practices concerning these kinds of guarantees. Therefore, the guarantees can be requested in the form of a bank guarantee, banker's draft, certified cheque or irrevocable letter of credit. This on the condition that any such form of guarantee creates an at-first-demand obligation for the bank/guarantor (i.e. the guarantor has to pay as soon as requested in writing, without the Contracting Authority having to engage in a legal process). Therefore, when receiving a guarantee in a form other than the standard performance guarantee, a lawyer or the bank's trade finance department shall be consulted to ensure proper legal coverage.

Practices and costs in the project country shall guide the decision as to whether such guarantees shall be required or may reasonably be obtained from contractors. It is not uncommon that suppliers/candidates

withdraw or change their offer in the validity period due to changes in the market price or availability. In these cases, guarantees shall be considered, if the banks issue bank guarantees, and it is a known practice in the tender market to request guarantees. This may not be possible in all contexts.

These guarantees are payable 'on first demand' and are therefore comparable to cash money. It is therefore recommended that account references of the Contracting Authority are clearly specified in the guarantee to ensure that payment under the guarantee can only be made to that account. The guarantee shall be kept in a secure place and with a reference in the procurement file.

Advantages and Disadvantages of Using Guarantees**ADVANTAGES**

When applying guarantees the Contracting Authority reduces the risk of suppliers/candidates withdrawing their offers in the validity period (tender guarantee). Moreover, they are committed to deliver the correct resources at the agreed time (performance guarantee). When applying a tender guarantee, the suppliers/candidates will put greater effort to make the offers, and it will reduce the participation of unreliable suppliers/candidates.

DISADVANTAGES

When applying a tender guarantee, some suppliers/candidates may decide not to submit an offer as they will not take the risk due to the unstable market they operate in or if they do decide to submit an offer, the risk may be added to the price.

Prepayment Guarantee

In the event of a contractor being in breach of the contract before delivering the resources, performing the services or executing the works, this is covered by a prepayment. This type of guarantee ensures that the Contracting Authority can recover the amount of any prepayment made to a contractor. It is recommended that such a guarantee is requested when the contract provides for a substantial prepayment and circumstances might create uncertainties as to future performance of the contract. It shall be for the full value of the prepayment.

In the prepayment guarantee it is stated that it will expire upon issue of an Acceptance Certificate (supplies) or, Completion Certificate (services) or Certificate of Final Completion (works). However, where the contract can be executed in successive deliveries/parts, it is possible to limit such duration. The guarantee shall then expire when the contractor has completed the part of the contract corresponding to the value of the prepayment guarantee. A template for a prepayment guarantee is found in GEN 10-1.

Tender Guarantee

The tender guarantee assures compensation to the Contracting Authority for the time and money lost if the successful tenderer withdraws his/her offer or fails to enter into the contract. It is recommended that such a guarantee is requested for Open Tenders, or when the amount of the contract along with market conditions makes it relevant (e.g. high volatility of prices). The compensation is generally between one and two per cent of the total tender price. The tender guarantee shall be released upon the end of the validity period, or the receipt by the Contracting Authority from the successful tenderer of the signed contract and the performance guarantee (if required), whichever date is the earliest. Therefore, if an extension of the validity period is requested, the tender guarantee shall also be extended. A template for a tender guarantee is found in GEN 10-2.

Performance Guarantee

The performance guarantee covers broadly all obligations of the contractor (proper performance of the contract) and is generally of an amount of ten per cent of the contract value. It is recommended that such a guarantee is requested for all contracts above EUR 50,000. Depending on the context of the contract, a performance guarantee can also be requested for contracts of a lower value when risk of non-performance appears high. A template for a performance guarantee is found in GEN 10-3.

If no default of the contractor has occurred, the performance guarantee shall be terminated:

- For a Supply Contract, upon expiry of the warranty period (the guarantor will therefore probably ask for a clear determination of such date (see relevant article of the General Terms and Conditions and the Purchase Order).
- For a Service or Works Contract, upon completion of the contract. A Certificate of Final Completion may be required for works.

Guarantees shall be payable to the Contracting Authority “on first demand” in order to secure that funds are available without the Contracting Authority having to engage in a lengthy and costly legal process. The text in the guarantee shall always be carefully checked to ensure that it has not been altered from the original text. If doubt exists on the credibility of the bank issuing the guarantee, the Contracting Authority’s own bank shall be requested to confirm the guarantee. By doing this the Contracting Authority’s bank vouches for the guarantee.

9.4 APPLICABLE LAW

The question of applicable law in international contracts raises some of the most complex legal issues which this Manual and the contracts cannot attempt to address in an exhaustive way. The standard contractual documents proposed in this Manual strive at removing the unpredictability in the supply/service/works relationship by providing a contractual framework setting out as far as possible the rights and obligations of the parties.

However, owing to the diversity of applicable laws and fundamental conceptual differences existing between the different systems of laws prevailing in the different countries of operation, it cannot be ensured that all provisions of the GTC can be found legally binding in any country, and that no mandatory rules of the country of execution of the contract will override the standard provisions. Since most legal systems recognise freedom of contract, it is nevertheless expected that, in case of dispute, a contractor will first refer to the provisions of the contract (GTC and other contractual documents), and that if he refers the case to a court, this court will recognise the validity of the contractual provisions.

The GTC for the three types of contracts provide that the law applicable to the contract (substantive law) is the law of the country of establishment of the Contracting Authority. However, it might be adequate to derogate to this clause and choose another applicable law depending on the circumstances of a given contract/project.

Generally it might be relevant to apply law of the project country in the following cases: supplies bought and delivered in the project country; services performed by a contractor in the project country, and when Works Contracts are implemented by a contractor in a specific project country. When a given law in a project country is underdeveloped or subject to uncertainties, and/or the contract is concluded with a contractor established in another country, it can be better to designate a foreign law²³.

In case of a high value complex Works Contract, it is recommended that legal advice is sought before choosing the applicable law (see section 8.3).

9.5 SETTLEMENT OF DISPUTES

This issue is closely connected to the question of applicable law, since it is of importance to avoid giving competence to the courts of a given country, when the law applicable to the contract is the law of another country (although national courts generally recognise their ability to apply foreign laws). The GTC therefore provide that the courts of the country of establishment of the Contracting Authority are competent and that

²³ British law is frequently designated as the applicable law for Construction Contracts in South Asian countries. Whereas such countries generally have insufficient construction laws, British law is fairly well developed in the area of construction disputes. Using British law as the governing law is common in South Asia and comfortable to most people.

procedural law of that country is applicable to such litigation (for Works Contract, see section 8.3). Consistency between the applicable law and settlement of disputes provisions shall be ensured if derogating to the GTC is considered.

The judicial system of some countries where projects are implemented may be unfit for such litigation due to backlogs, lack of capacity and/or corruption. In such cases, and if the contract in question is closely connected to that country (contractor and execution in the project country), it shall be investigated whether there could be a more effective "Alternative Dispute Resolution" mechanism, established by a Chamber of Commerce in the project country. For contracts with foreign companies, consider choosing the courts of their respective country. For contracts of high value, providing for a settlement through international arbitration shall also be considered (e.g. for Works Contracts, see section 8.3).

When choosing courts of a country different from the country of establishment (of the contractor), it shall be considered that even if a judgment in that first country can be obtained, enforcing it against the contractor in his/her country of establishment (or where he has some assets) shall be attempted. But the ability to enforce a judgment from one country to another country, depends on whether there is a treaty between the two countries which provides for enforcement of such judgments or on the willingness of the project country courts to enforce foreign judgments. Often such judgments are not warmly received.

Settlements of Disputes

Despite the high complexity of these legal issues, it shall be noted that, amicable/diplomatic settlement of disputes are always preferred, and it is highly improbable that the Contracting Authority will undertake a costly international litigation in case of a breach of a contract. If problems and disputes arise with a contractor, assistance from your own organisations Procurement and Logistics Unit can be requested.

9.6 AUDITS

All donor funded projects are subject to immediate audit by donors. It is therefore important to keep the procurement files up-to-date at any given time. Please see chapter 5 for thorough information on documentation requirements.

The standard terms and conditions of the three types of contracts provide for the Contracting Authority's right to check and audit all documents related to the contract and give the same right to the funding agency. Audits can also be added as a condition in the Purchase Order/Contract as a special clause.

10 GLOSSARY

| Term | Definition |
|-----------------------------|--|
| ACP Countries: | A group of 79 countries from Africa, Caribbean, and the Pacific which are signatories of the Cotonou Agreement (2000). |
| Award Criteria: | The criteria defined by the Contracting Authority to reward a supplier/candidate with a Supply, Service or Works Contract. |
| Award Notice: | The publication of the outcome of the award procedure which specifies the type of supply, service or works procured, the amount of the contract and the successful tenderer. |
| Bid Flow: | The timeframe from a tender/RFP/RFQ is published until the offer shall be received by the Contracting Authority. |
| Candidate: | A person or company that provides intellectual and non-intellectual services or the execution and/or the design of a work corresponding to the specified requirements. |
| Carrier: | Any person who, in a contract of carriage, undertakes to perform or to procure the performance of transport by rail, road, air, sea, inland waterway or by a combination of such modes of transportation. |
| Coercive Practice: | Impairing or harming, or threatening to impair or harm, directly or indirectly, any participant in the Tender Procedure to influence its activities improperly. |
| Collusive Practice: | An undisclosed arrangement between two or more suppliers, tenderers or candidates designed to artificially alter the results of the Tender Procedure to obtain financial or other benefit. |
| Contract: | A legally binding document between a buyer (Contracting Authority) and a supplier of supplies and/or services and/or works. |
| Contractor: | The general term used in this manual referring to all types of economic operators concluding contracts with the Contracting Authority. |
| Controlled Drugs: | Controlled drugs have accepted or non-accepted medical use and are controlled by national laws based on their potential for abuse, which may lead to physical or psychological dependency. National laws differ, but often practitioners (e.g., doctors, dentists, physician assistants, advance practice nurses) are licensed by the state and have to be registered with a national regulatory body to prescribe this type of pharmaceuticals. |
| Corruption: | Corruption is here defined as the misuse of entrusted power for private gain. Corruption is a practice where a staff member is receiving or giving money or gifts in order to gain personal or organisational advantages such as favourable treatment, services, a possibility to gain power, lowering prices or ensuring that a particular contractor is winning a contract. Corruption may also occur in a more indirect form where the benefit is given to a third party (family, own business etc.). |
| Derogation: | The authorised allowance to depart from the general rules and procedures for procurement. |
| Eligibility: | Meeting the stipulated requirements or being qualified. Eligibility can e.g. refer to the eligibility of costs, products or supplier/candidate. |
| Emergency Operation: | Actions intended to meet immediate and unforeseeable humanitarian requirements generated by sudden natural or manmade disasters, such as floods, earthquakes and outbreaks of conflict or comparable situations. The concept of emergency also includes any situation, duly justified, in which the implementation of the humanitarian aid operation has to start immediately and where delay is incurred on the action by applying |

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| | timely Procurement Procedures – hereby putting lives at risk. An emergency has to be declared by DCA or the donor, and cannot be based on circumstances which are attributed the Contracting Authority. |
| Ethical Procurement: | The inclusion of social and environmental factors, alongside financial factors, in procurement decisions. It involves looking beyond economic parameters and efficiency in procurement, and additionally considering the associated social consequences, risks, and/or implications for humans, society and environment. |
| Exclusion Criteria: | The criteria defined by the Contracting Authority to exclude a supplier/candidate from a Procurement Procedure. |
| Fee Based Price: | The remuneration of a contractor under a Service Contract, based on a daily fee-rate for an eight hour working day. |
| Framework Contract: | A long term (maximum five years) contract concluded between the Contracting Authority and one or several contractors. It is used to define the general terms for future procurement of a series of supplies or services for which the precise quantity/scope and time of delivery cannot be defined at the outset of the contract. Framework Contracts can only be used for Service and Supply Contracts, not Works Contracts. |
| Fraudulent Practice: | Any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, the Contracting Authority to obtain a financial or other benefit or to avoid an obligation. |
| Global Price: | The complete remuneration of a contractor under a Service Contract, which cover all obligations of the successful candidate under the entire contract (without depending on actual time spent on the assignment). The global price covers the fee rate, including overhead, profit, all his/her obligations, sick leave, overtime, holiday pay, taxes, social charges and all expenses (such as transport, accommodation, food, office, etc.). |
| Humanitarian Procurement Centre: | Humanitarian Procurement Centres (HPC's) are ECHO recognised entities specialised in procuring emergency and health supplies or providing related services for the use of actors in humanitarian aid operations. The HPC's provide services within the following areas: medicine, medical devices, veterinary, foods, water and sanitation, engineering, shelter, telecommunication, transport and administration. |
| Hybrid Contract: | A contract which contains a mix of supply and services. |
| Import Clearance Agent: | A person/company who offers the service of customs clearance of goods. |
| Incoterms: | Internationally recognised standard trade clauses published by the International Chamber of Commerce most commonly used for international sales contracts. The standard clauses can be adopted as the legal regulation for delivery of resources and distribution of cost and risks between the seller and the Contracting Authority in a contract. |
| Lot/Sub Lot: | A lot is a group of resources which can potentially be procured from the same supplier or candidate. A sub lot is the division of each lot into smaller lots of resources which can be procured from the same or from several suppliers/candidates. |
| Monitoring Agency: | An agency which is responsible for verifying and certifying the quality, quantity, packing and marking of the resources to be delivered in respect of each supply, issuing the certificate of conformity or the certificate of delivery and generally coordinating all stages of the supply operation. |
| Partner: | The partner organisation that implements a project or program. |
| Procurement: | Procurement is a strategic process of acquiring supplies, service and works. The process covers activities which are necessary to purchase or rent. The required resources and includes all functions from identification of needs, market analysis, planning purchases, sourcing of candidates, obtaining and evaluation of quotes, award |

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| | of contracts, contract administration, and ensuring the delivery and receipt of the resources. |
| Purchase Order: | A document issued by a buyer to a seller indicating types, quantities and agreed prices for products. Acceptance of a Purchase Order by a seller forms a legally binding contract between the parties. |
| Running Costs: | Running costs are defined as reoccurring purchases/costs e.g. each week or month often related to office procurement. |
| Selection Criteria: | A set of pre-established and non-discriminating criteria defined by the Contracting Authority which defines the minimum requirements of a tenderer or candidate to enter into a contract with the Contracting Authority. |
| Service Contract: | A contract for the provision of a defined service. It covers all intellectual and non-intellectual services other than those covered by Supply and Works Contracts. Service Contracts equally comprise Study, Freight (if not included in the Supply Contract) and Technical Assistance Contracts. |
| Shipper: | A person who sends goods from one place to another by vessel (sea transport). |
| Supplier: | A person or company that provides goods, such as raw materials, partially assembled components or any other resources. The delivery of goods may also include siting, installation and maintenance. |
| Supply Contract: | Covers the purchase, operational leasing, rental or hire purchase, with or without option to buy, of supplies. Whenever rental of venues for meetings, conferences etc. is a direct project cost, it is categorised as a Supply Contract. The delivery of supplies may in addition include siting, installation and maintenance. |
| Tender: | The offer made by the tenderer in response to a Tender Dossier. |
| Tender Dossier: | A compilation of relevant documents which shall be received by all shortlisted suppliers/candidates for Supply and Service Contract above the value of EUR 150,000 and for Works Contracts above EUR 300,000. It consists of instructions to tenderers, technical specifications/ TOR, Draft Contract, technical data form, tender submission form, GTC and Code of Conduct for Contractors (and other optional annexes). |
| Tenderer: | The supplier of supplies and/or services and/or works, who submits a Tender Dossier. |
| Terms of Reference: | Specifies the requirements needed for a Service Contract e.g. purpose, scope of service, timeframe, reporting, expected results etc. |
| Threshold: | Thresholds are the marginal values of the contract categories defining which Procurement Procedure to apply to a given contract. |
| Works Contract: | The outcome of building or civil engineering works, taken as a whole, which is sufficient in itself to fulfil an economic or technical function. It is a Works Contract when an entrepreneur or construction company has the obligation of delivering works and is responsible for hiring and/or buying the necessary resources to fulfil this obligation (i.e. the entrepreneur hires the labour, brings the equipment and buys the construction materials and supplies). |

11 ANNEXES

GEN – General Annexes

SUP – Supply Annexes

SER – Service Annexes

WOR – Works Annexes

The annexes will be updated on a regular basis – each update will be identified by a correction date. The latest version will always be available from the [Manual Webpage](#).

GENERAL ANNEXES

| | | |
|----------|---|-----------|
| GEN 1-1 | Guide to Complete Annexes | Support |
| GEN 1-2 | Guidance Letter to Suppliers | Support |
| GEN 2-1 | Declaration of Impartiality and Confidentiality | Mandatory |
| GEN 2-2 | TOR Procurement Committee | Support |
| GEN 4-1 | Code of Conduct for Contractors – without DCA Logo | Mandatory |
| GEN 4-2 | Code of Conduct for Contractors – with DCA Logo | Mandatory |
| GEN 5 | Procurement Capacity Assessment | Support |
| GEN 6 | Market Survey Form | Support |
| GEN 7-1 | Template for Procurement Plan | Mandatory |
| GEN 7-2 | Sample of Procurement Plan | Support |
| GEN 8 | Template for Advertisement of Business Opportunities | Mandatory |
| GEN 9 | Overview of the Procurement Steps | Support |
| GEN 9-1 | Time Tables for Procurement Procedures | Support |
| GEN 9-2 | Template for Procurement Process Overview | Support |
| GEN 9-3 | Sample of Distribution Schedule | Support |
| GEN 9-4 | Sample of Overall Work Plan | Support |
| GEN 10-1 | Template for Prepayment Guarantee | Support |
| GEN 10-2 | Template for Tender Guarantee | Support |
| GEN 10-3 | Template for Performance Guarantee | Support |
| GEN 11 | Business Opportunity/Tender Notice | Mandatory |
| GEN 12 | Template for Local Open Tender Work Plan and Time Table | Support |
| GEN 13 | List of Suppliers/Candidates and Tender Receipt Form | Mandatory |
| GEN 14 | Questions and Answers | Mandatory |
| GEN 15-1 | Tender Opening Checklist | Support |
| GEN 15-2 | List of Participants | Mandatory |
| GEN 15-3 | Tender Opening Form | Mandatory |
| GEN 16 | Letter of Acceptance | Mandatory |
| GEN 17 | Award Notice | Mandatory |
| GEN 18 | Procurement Documentation Template | Mandatory |
| GEN 18-1 | Sample of Procurement Documentation Template | Support |
| GEN 18-2 | Index Template for a General Procurement File | Support |
| GEN 18-3 | Index Template for a Simple Procedure Procurement File | Support |

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| GEN 18-4 | Index Template for a Negotiated Procedure Procurement File | Support |
| GEN 18-5 | Index Template for an Open Tender Procedure | Support |
| GEN 19 | Cash Grant vs. Procurement | Support |

SUPPLY ANNEXES

| | | |
|----------|--|-----------|
| SUP 1 | Simple Procedure Quotation Form | Support |
| SUP 2 | Request for Quotation for Supplies | Mandatory |
| SUP 2-1 | Request for Quotation for a Framework Contract | Mandatory |
| SUP 3 | Tender Dossier | Mandatory |
| SUP 4 | Evaluation Grid for Negotiated Procedure | Mandatory |
| SUP 5 | Evaluation Grid for Open Tenders | Mandatory |
| SUP 6 | Purchase Order | Mandatory |
| SUP 7 | Framework Contract | Mandatory |
| SUP 8 | Letter to Unsuccessful Suppliers | Mandatory |
| SUP 9 | Guidelines on Transportation and Storage | Support |
| SUP 10-1 | Transport Booking – Air Freight | Support |
| SUP 10-2 | Transport Booking- Sea Freight | Support |
| SUP 11-1 | Step Guide to Procurement of Medicine | Mandatory |
| SUP 11-2 | Step Guide to Procurement of Medical Devices | Mandatory |
| SUP 11-3 | Template for Advertisement of Business Opportunities for Medical Devices | Mandatory |
| SUP 12 | General Terms and Conditions for Supply | Mandatory |
| SUP 13 | Goods Received Note | Support |

SERVICE ANNEXES

| | | |
|-------|---|-----------|
| SER 1 | Request for Proposal for Engineering Services | Mandatory |
| SER 2 | Request for Proposal | Mandatory |
| SER 3 | Evaluation Grid for Negotiated Procedure | Mandatory |
| SER 4 | Contract | Mandatory |
| SER 5 | Letter to Unsuccessful Candidates | Mandatory |
| SER 6 | Tender Dossier | Mandatory |
| SER 7 | Evaluation Grid for Open Tender | Mandatory |
| SER 8 | General Terms and Conditions for Service | Mandatory |

WORKS ANNEXES

| | | |
|-------|--|-----------|
| WOR 1 | Request for Proposal | Mandatory |
| WOR 2 | Contract | Mandatory |
| WOR 3 | Evaluation Grid and Report | Mandatory |
| WOR 4 | Letter to Unsuccessful Candidates | Mandatory |
| WOR 5 | General Terms and Conditions for Works | Mandatory |

12 RESOURCES

12.1 PROCUREMENT E-TRAININGS



The e-trainings listed below offers online trainings on different aspects of procurement. The e-trainings are available on-demand from the Procurement [Manual Webpage](#) and can be accessed by DCA staff and partners. The list will be updated as new e-trainings are launched.

To make the most use of the knowledge provided via the e-trainings, it is recommended to go through the e-trainings according to the sequence numbering. The e-trainings can also be used as reference tools.

| Title | Learning Objective and Target Group |
|--|---|
| 1. Procurement in the Project Cycle: (1,5 hour) | <p>The e-training provides a general introduction to procurement and how it is an essential and inherent part of the project cycle. The target group is project staff in general – ranging from Project- and Programme Managers to finance- and procurement staff. The overall aim is to advance procurement knowledge within an organisation and to generate:</p> <ul style="list-style-type: none"> • A basic understanding of what procurement is and why it is a quality element of projects. • A basic knowledge of how procurement is planned, implemented and finalized • A basic understanding of why procurement is an integrated and essential part of the project cycle and involves cooperation between various stakeholders. |
| 2. Working with Lots: (1,5 hour) | <p>Knowing how to prepare lots is an essential aspect of procurement, and this training aims at providing procurement staff with the technical skills to prepare lots in a practical project context. The e-training takes a starting point in a case story and builds knowledge via examples, exercises and explanations. The learning objective is to provide users with thorough knowledge of:</p> <ul style="list-style-type: none"> • What a lot is • Why it is important to work with lots • How to practically prepare lots – and sub lots <p>The e-training builds essential knowledge in order to be able to draft a Procurement Plan, and it is recommended to go through this training before moving on to the e-training Step Guide to the Procurement Plan.</p> |
| 3. Step Guide to the Procurement Plan: (1,5 hour) | <p>The e-training provides a step guide to drafting the Procurement Plan at the project planning phase. The main target group is procurement staff. The e-training takes a starting point in the '7 step guide' from section 4.1 in in the Procurement Manual, and through a case, examples, practical exercise and information it guides the user on how to draft the Procurement Plan. The main objective is to provide procurement staff with the technical skills to:</p> <ul style="list-style-type: none"> • Obtain all the relevant information which is needed in order to draft a thorough and correct Procurement Plan • Draft a Procurement Plan – step by step. • Fill in the GEN 7-1: Template for Procurement Plan <p>It is recommended to go through the e-training Working with Lots before this e-training.</p> |
| 4. Thresholds and Procurement Procedures: (20 min) | <p>This short e-training covers the subject of how to assign the correct Procurement Procedure according to Contract Category and threshold. The user is taken through a few 'need to know' topics, quizzes and an interactive Procurement Procedure overview. The main objective of the e-training is:</p> |

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|--|--|
| | <ul style="list-style-type: none"> To provide procurement staffs with the necessary knowledge to assigning correct Procurement Procedures according to threshold and Contract Category. |
| 5. ADMIND Tutorials: (30 min) | <p>An introduction series to the Admind database, developed to assist DCA staff (only) in using the Admind database for management of logistical data.</p> <p>The introduction series includes 5 short tutorials:</p> <ul style="list-style-type: none"> How to install Admind on the computer How to add and find items on an asset list How to create inventory reports How to find, update and add suppliers How to issue Purchase Orders <p>The e-training is only relevant for DCA staff.</p> |
| 6. Guide to SER 2: Request for Proposal: (2 hours) | <p>Via short tutorials, this guide takes the user through the entire Annex SER 2: Request for Proposal – article by article.</p> <p>The main objectives are to:</p> <ul style="list-style-type: none"> To build procurement responsible staffs understanding and knowledge of the RFP template and enable users to fill in the template correctly and adapt to specific needs. Provide an on-demand reference tool, which will enable users to seek specific information per article in the RFP. <p>The e-training can also be used as a reference tool to learn about the articles in SER 6: Tender Dossier</p> |

12.2 USEFUL LINKS

ECHO

- ECHO helpdesk: <http://dgecho-partners-helpdesk.eu/helpdesk/start>
- ECHO Annex III from 2014: file:///C:/Users/kaf/Downloads/annexiii_en_131112.pdf
- ECHO Annex IV from 2009: http://ec.europa.eu/echo/files/partners/humanitarian_aid/fpa/2010/annex_IV_rules_procedures_en.pdf
- Humanitarian Aid Guidelines for Procurement 2011: www.HumanitarianAidGuidelines.org
- ECHO procurement information: http://dgecho-partners-helpdesk.eu/media/annexiii_en_131112.pdf
- Financial Regulations: http://ec.europa.eu/echo/files/partners/humanitarian_aid/fpa/financial_guidelines_final_en.pdf
- ECHO HPC register: http://ec.europa.eu/echo/files/partners/humanitarian_aid/HPC-register_en.pdf
- General HPC information: http://dgecho-partners-helpdesk.eu/actions_implementation/procurement_in_humanitarian_aid/hpc
- Visibility Toolkit: http://ec.europa.eu/echo/files/partners/humanitarian_aid/toolkit_for_partners_sept_09_en.pdf

EuropeAid

- EuropeAid helpdesk: http://www.puntosud.org/helpdesk-europeaid/doku.php/howto/the_helpdesk
- EuropeAid Annex IV: <http://www.puntosud.org/EuropeAid/AnnexIV>
- Practical Guide to contract procedures for EU external actions (PRAG): http://ec.europa.eu/europeaid/funding/about-funding-and-procedures/procedures-and-practical-guide-prag_en
- EuropeAid list of eligible countries 2007-2013 and 2014-2020 (General annexes A2b2 + A2a Eligibility programmes): <http://ec.europa.eu/europeaid/prag/annexes.do?group=A>
- Communication and Visibility Manual for European Union External Actions: http://ec.europa.eu/europeaid/work/visibility/documents/communication_and_visibility_manual_en.pdf

Ethical Procurement

- Danish Initiative for Ethical Trade (DIEH): <http://www.dieh.dk/in-english/>
- Ethical Trading Initiative: <http://www.ethicaltrade.org/resources/key-eti-resources>
- Danish institute for Human Rights: <http://humanrightsbusiness.org/>
- Business and Human Rights Resource Centre: www.business-humanrights.org
- UN Global Compact: <http://www.unglobalcompact.org/AboutTheGC/index.html>
- Responsible Purchasing Network: <http://www.responsiblepurchasing.org/#>
- Ethical Cargo: <http://www.ethicalcargo.org/>
- Human Rights Watch: www.hrw.org
- Maplecroft (global risks and businesses): <http://maplecroft.com/>
- ICC's Guide to responsible sourcing:
http://www.iccwbo.org/uploadedFiles/ICC/policy/business_in_society/Statements/ResponsibleSourcing%20Brochure%20final.pdf
- Social Accountability International (SA8000 standard): <http://www.sa-intl.org/>
- ISO (International Organization for Standardization): <http://www.iso.org/iso/home.html>
- UN Guiding Principles on Human Rights and Business:
http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

Incoterms

Incoterms by the International Chamber of Commerce: <http://www.iccwbo.org/incoterms/id3042/index.html>.

DanChurchAid

- DCA official website: <http://www.danchurchaid.org/>
- DCA Procurement and Logistics Unit's webpage: <http://www.danchurchaid.org/about-us/quality-assurance/procurement-and-logistics>
- The DCA Procurement Manual: <http://www.danchurchaid.org/about-us/quality-assurance/procurement-and-logistics/the-dca-procurement-manual>
- The DCA Logistics Manual: <https://www.danchurchaid.org/about-us/quality-assurance/procurement-and-logistics/logistics-manual>

Other

- The ACP Countries: <http://www.acp.int/node/7>
- The DAC list of ODA recipients: <http://www.oecd.org/dac/stats/daclist.htm>