SOMALI RED CRESCENT SOCIETY

PROCUREMENT MANUAL

MARCH 2020

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1.0 . INTRODUCTION

The SRCS is an independent, non-political humanitarian organization that was founded in April 1963 and was established with presidential decree No. 187 in 1965. It was recognized by the International Committee of the Red Cross (ICRC) in 1969 and in the same year became a member of the International Federation of the Red Cross and Red Crescent Societies (IFRC). The SRCS is currently the largest indigenous humanitarian organization with a network of branches in all 19 regions of the country.

This SRCS Procurement manual is intended to meet the National Society's goal of ensuring transparency, accountability and fairness in its procurement activities. It provides a guideline to complete the procurement practices ethically. The aim is to keep the procedure simple, understandable but accountable.

A revision of this procedure is anticipated once SRCS has adapted SAGE with a requisition/procurement module.

SRCS Vision and Mission

Vision; "*Strong communities enabled to deal with the causes of suffering and respond to the needs of vulnerable people*".

Mission; *"to prevent and alleviate suffering by working with communities, local authorities and other partners to provide basic and quality services to vulnerable people in accordance with the Fundamental Principles of the Red Cross and Red Crescent Movement*."

DEFINITIONS:

1.1. What does mean Purchasing?

Purchasing is just one aspect of the broader procurement function and includes activities such as ordering, expediting, receipt of goods into stock, and payments to suppliers.

1.2. What does mean Procurement?

Procurement embraces all the activities before the establishment of the purchase contract. It includes the identification of a need and sourcing of suppliers. It also includes post-contract activities such as contract management and management of suppliers' relations.

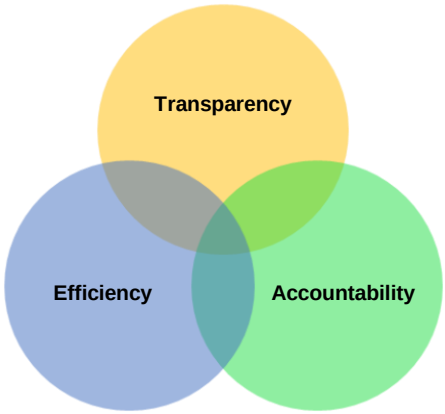
1.3. What does mean Supply Chain Management?

"The supply chain conceptually covers the entire physical process from obtaining the raw materials through all process steps until the finished product reaches the end consumer. Most supply chains consist of many separate companies, each linked by their part in satisfying the specific need of the end consumer."

1.4. Principles of procurement

It is important to recognize that purchase within the SRCS needs to follow three essential laws. These principles are necessary because the public has provided the money that is being used to procure items through donations. The three principles are:

- Transparency: All phases in the procurement process are fair and accurately documented
- Accountability: accountable to partners and communities who may require specific rules to be followed.
- Efficiency: The money is being used in the best possible way and not wasted.



1.5. Objectives of procurement

The aim and objectives of purchase is to carry out above principles in the process, so that the goods and services are of the right quality, from the right source, are the right cost and can be delivered in the right quantities, to the right place, at the right time. According to the six rights, we can be sure that every aspect has been considered to buy the best quality of our ability. It is important to recognise that the "six rights "are interrelated and may influence each other.



2.0. SRCS PROCUREMENT ETHICS

As a responsible humanitarian organisation, SRCS is adapting international procurement standards which are adhered by both Institute for supply management and Chartered Institute of Procurement and Supply (CIPS). Therefore, the procurement person should not violate below-listed ethics in SRCS procurement. (Please refer the annex for more clarification)

- IMPROPRIETY: Prevent the intent and appearance of unethical or compromising conduct in relationships, actions and communications.
- CONFLICT OF INTEREST: Ensure that any personal, business and other activities do not conflict with the lawful interests of the SRCS.

- INFLUENCE: Avoid behaviors or actions that may negatively influence, or appear to influence, supply management decisions.
- RESPONSIBILITIES TO SRCS: Uphold fiduciary and other responsibilities using reasonable care and granted authority to deliver value to SRCS.
- SUPPLIER AND CUSTOMER RELATIONSHIPS: Promote positive supplier and customer relationships.
- SUSTAINABILITY AND SOCIAL RESPONSIBILITY: Champion social responsibility and sustainability practices in supply management.
- CONFIDENTIAL AND PROPRIETARY INFORMATION: Protect confidential and proprietary information.
- RECIPROCITY: Avoid improper reciprocal agreements.
- APPLICABLE LAWS, REGULATIONS AND TRADE AGREEMENTS: Know and obey the letter and spirit of laws, regulations and trade agreements applicable to supply management.
- PROFESSIONAL COMPETENCE: Develop skills, expand knowledge and conduct business that demonstrates competence and promotes the supply management profession.



Procurement standard and guide

2.1 SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Considering social compliance, environmental concerns and neutrality toward conflicting parties are essential when selecting and working with suppliers.

The Procurement unit will not be ordering from companies that exploit child or bonded labor, that disregard basic health and safety provision, that do not respect national labor law, that "pirate" intellectual property of others, or that willfully or avoidably damage the environment. With regard to the environment, our procurement choices will favor products showing clear environmental advantages (unless there are significant reasons for not doing so). Life cycle analysis should be carried out.

3.0 BIDDING AND AWARD COMMITTEE

Responsible for conducting whole bidding process until the recommendation to award the contract/services is finalized and the purchase order is signed. The committee should comprise of representatives from management, procurement, admin/finance and the user/requester. The committee members will be nominated by the senior management of SRCS at Coordination /branch levels on yearly basis.

3.1. TECHNICAL COMMITTEE

SRCS management will create technical committee with the necessary expertise. The committee is responsible for determining the specifications which fall under its expertise together with the user, Eg: Construction, medical supplies, relief goods, office equipment, etc.

3.2. PLACE OF BIDDING

Unless otherwise explicitly authorized, bidding shall be conducted at the Coordination office or branches of SRCS as the case may be.

4.1. PROCUREMENT PLAN

Last minute procurement request might create hassles; therefore, branches and coordination offices are encouraged to prepare a quarterly procurement plan to streamline the process. (*Please kindly find the template in the annexed section)*. The procurement plan helps to ensure the cash forecast and sourcing activities are done on time.

The finance should review each procurement plan before getting Executive Director/branch coordinator approval. Procurement person can start the sourcing activities after receiving approval; however, the approved requisition needs to be obtained from requester before issuing an official contract.

NOTE: Quarter procurement plan is a tool for sourcing and cash forecasting, so it can not represent the requisition.

4.2. REQUISITION

Requisition is a primary document for procuring service and goods. The requisition could be used for three purposes such as quotation collection, purchases, and warehouse dispatches.

Golden rule: No purchase or procurement without an approved requisition

The requester is responsible for issuing the approved requisition. Before it released to the procurement department, the requester should ensure the following details on the requisition

- Specification: It should be clear and concise to facilitate sourcing activities. Each item needs to have physical, technical, and chemical composition details. The specification should be written objectively to avoid favors to any suppliers over another. E.g., using brand name may lead to a conflict of interest unless the brand is essential.
- Delivery date: The requester should give a realistic delivery date; some procurement process will take considerable time thus before starting souring activities procurement person need to concur the delivery date with the requester. Writing ASAP (As soon as possible) or other code words cannot be acceptable, so a specific calendar date is mandatory. A detail delivery plan shall be annexed with procurement or dispatch requisition. E.g.: Construction and distribution
- Budget code and financial approval: The requisition should be reviewed by both budget holder/programme manager and finance to confirm the fund availability.
- Cost saving and ethics: Economy of scale bring the cost reduction benefit; therefore, requisition should be prepared a consolidatory manner, **it is strictly forbidden to split a logistics requisition.**

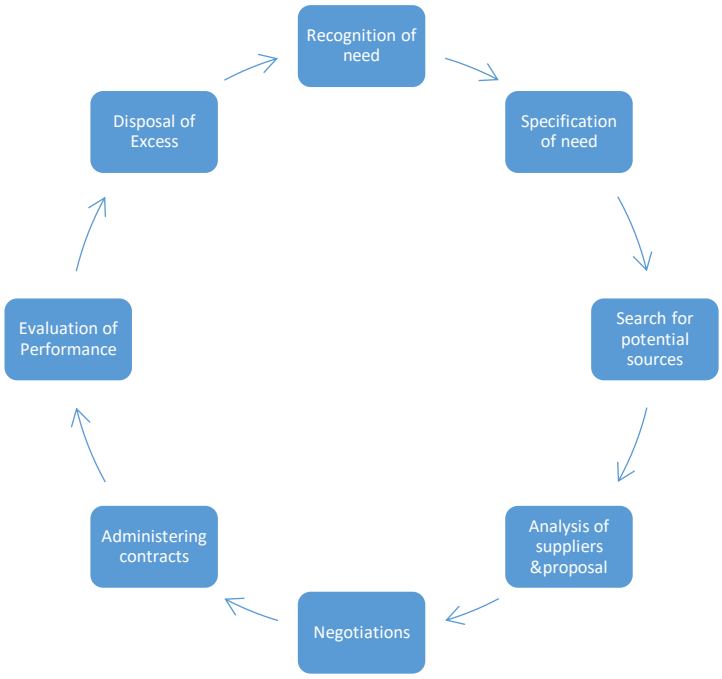
As soon as the review completed, the Procurement person needs to allocate a file number for requisition which helps to track the progress and reference.



Logistic Requisition form

4.3. SOURCING TECHNIQUES

As soon as the procurement plan received, the procurement person shall allocate goods in two by two matrix under four categories. Procurement categorisation helps to deploy resources under a suitable procurement methodology.



4.3.1 Single sourcing

The practice of deliberately concentrating purchases of a product or services with one source in preference over others in a competitive marketplace is defined as an only source. Although this sourcing has some benefits, the methodology is against the Red Cross/Red Crescent seven fundamental principles, therefore, better to avoid this souring methodology.

4.3.2 Sole sourcing

Sole sourcing is existing when a supplier is the only one available with the ability to meet the purchase requirements. The disadvantage in the sole sourcing is that the buying organisation fully depends on one supplier and is vulnerable to risk including price increases, production or supply constraints, financial risks. Unless there is a specific need or technical requirement better to avoid this methodology in a humanitarian project. Examples: Medical and technical items

4.3.3. Multiple sourcing

Using two or more supplier for the same or similar products or services called multiple sourcing, it may be part of a business continuity plan. This methodology would help to avoid many risks such as supply disruption, demand fluctuations, market dependency and political changes. However clear supplier management strategy is an essential element to ensure therefore the procurement person must have a strategic procurement knowledge to ensure its continuity in long-term. E.g.: Construction materials procurement.

Bottleneck items • Low potential to add value • Few suppliers • Quality, services issues • Regulatory requirements • Non-standard specifications • Likely stop production if not available **Methodology** Invitation for Bid (RFQ Form-2)	**Strategic items** • Long-term profitable growth • Critical to competitive advantage • A small number of suppliers • Difficulty of replacement • Unique specifications • Focus on development • Leading edge processed used **Methodology** Request for Proposal Request for Information
Non-critical items • Low potential to add value • Many suppliers • Standard specifications • Ease of replacement • Competitive pressure • Simple market management **Methodology** Request for quotations (form-1)	**Leverage items** • Best value providers • Respond to price movement • Several suppliers • Potential disruption in replacement • Some differentiation in specifications **Methodology** Request for Information Invitation for Bid (RFQ Form-2)

5.0. TYPE OF SOLICITATION

The SRCS use two kinds of the solicitation process:

Restricted tender: The procurement person shall use prequalified suppliers, registered supplier or accredited supplier for this purpose. However, the supplier as mentioned above should have been selected through public tender and background check.

Open tender: All the interested suppliers are requested to participate in a bid. A public newspaper advertisement is issued for disseminating the message to all suppliers.

The SRCS use an open tender for following purposes:

- Intention to bring new supplier in the system
- Unavailability of potential suppliers
- The new specification and revised quantity
- Change of selection criteria
- New project and need

5.1. SOLICITATION DOCUMENTS

5.1.1 INFORMAL BID

The bids can be obtained through either written or electronic quotations whose dollar values are less than a pre-established threshold level. Second, the informal offer may be used to solicit budgetary information from the supplier for estimating purposes. In the latter instance, it is essential the supplier mark the bid to indicate that the submitted proposal only for the budgetary purpose and is subject to change.

5.1.2. REQUEST FOR QOUTATION (RFQ):

Specifications are clear and unambiguous. Plenty of stock availability and the market has enough suppliers, so the price is the only determining factor. The solicitation document needs to explain the specification requirement, delivery and payment terms. Minimum one-page document is enough but should have all the contact details and organisation purchase terms and condition.



Request for Qoutation

5.1.3. REQUEST FOR PROPOSAL (RFP):

It is going to be a competitive proposal, where Specifications are not precise and uncertain, or requester prefer the alternative option too. Price fluctuating market and the budget holder has the flexible budget or funding opportunity. Procurement might carry strong legal responsibility so that quality and final product endurance are a critical factor. The solicitation document should carry all required legal clauses & project objectives. The pre-bidding meeting and public notifications are vital for this process. E.g.: Construction or community projects.

5.1.4. REQUEST FOR INFORMATION (RFI):

Can be used for two purposes, one is to identify suppliers or resource person, another one is to collect specification/ information. Mostly used at the beginning of the project implementation to identify suitable suppliers and resources, therefore its uses are limited in operational procurement. However, the organizations use them now and then for collecting grant proposal from other organisation.

5.1.5.IBD

The purpose of the document is to ensure the right information dissemination; the RFQ can be distributed either via email or in person.

Note: All solicitation document should have a date, reference number, contact details, bid submission deadline and approved signatory signature.



Draft RFP for berked rehabilitatio

5.2. SOLICITATION ETHICS

- All suppliers must receive the same information as part of the solicitation and during the solicitation process. If the supplier asks for clarification, all suppliers should accept the explanation.
- The supplier should be given ample time to respond to the solicitation. The time allowed should consider the complexity of the process, the organisation's needs, and other solicitation suppliers may be addressing to their suppliers.
- Time extensions, if given, must apply to all suppliers.
- If the SRCS cancels the solicitation, all suppliers should be notified immediately.
- All supplier’s proposal or quotations are confidential and should not be shared with anyone unless it is required by law.
- Record of the time and date each submission was received
- Evaluation criteria should be consistently applied to all suppliers
- All suppliers that submit quotations should be notified whether they won the award or not
- Retain all submitted documents from each respondent in the original bid package till opening
- The solicitation document should include potential contract terms and conditions so that supplier can review beforehand.

5.3.0. DISTRIBUTION OF SOLICITATION DOCUMENTS (RFQ/RFI/IB)

The RFQ/RFI/IB shall be circulated to potential registered suppliers/ contractors 7, 14 or 21 days based on the respective threshold before the deadline. Please refer to the procurement procedure chart for the clarification. This will allow suppliers enough time to offer the best price for the SRCS, in other words supplier will be able to take relevant supportive documents from legal authorities to fulfil the bidding requirement such as financial statements, Tax clearance certificate, business license, logistics cost calculation, market research etc.

5.4. TIMELINE OF BIDDING DOCUMENT SUBMISSION

Following the standard schedule should be given to the supplier to ensure the best offer. The SRCS should not make the response time short that eliminates potential suppliers. RFQ and IB have opening dates while RFPs have closing dates. Therefore, the procurement person should consider the complexity of the bid, the timing constraints of the project, and the number of proposals concurrently issued to the same group of suppliers.

5.5. NOTICE OF PUBLICATION:

Notice of public tender shall be published in SRCS branches to maintain the transparency and procurement ethics, SRCS websites, community centres and newspaper. The choice of media differs according to the threshold level, and please refer to the procurement procedure chart for the clarification; however, all the invitation bid 20,000 USD and above must be published in two local daily newspapers or displaced community centres where there is no local daily newspapers.



News paper advertisement for sc

5.6.PRE-BIDDING MEETINGS

Depend on technical specification, a massive spend, or the critical nature of a contract/procurement, country culture, and time availability pre-bidding meeting can be organised by the Bid Award Committee (BAC). All potential supplier that the SRCS consider should be invited to participate. The SRCS blacklisted supplier should not be invited for any pre-bidding meetings. The supplier should receive the solicitation package well in advance to the conference so that they can review it in time. Invitation for Bid notice shall be published in the newspaper **minimum two days** before the meeting to facilitate information dissemination.

The meeting provides an opportunity for two-way communication about drawing and specification, quotation due dates, terms and conditions, proposal evaluation criteria, delivery schedules and logistics, invoicing procedures and required supportive documentation if business awarded.

A written amendment should be issued within 24 hours if the meeting results in changes to the solicitation. This can serve to expedite the bid process, as well as ensure that the information the SRCS receives complies with all requirements.



Pre-bid meeting minutes in Lowayacac

5.7. SUBMISSION OF BID SAMPLES

Whenever possible, a bid sample of each item shall be required to be submitted along with the quotations or bid documents. Each sample should carry the company logo and protective cover to avoid miss handling. In order to ensure transparency, the procurement person should issue official acknowledgement receipt to

bidders. The acknowledgement receipt could contain following details bidder name, company name, bid receiver name, time, date, number of packs received and other observations.


Acknowledgement receipt form

5.8. DEFECTIVE BID, NON-COMPLYING BIDS AND TIED BIDS:

The Defective bids are those not meeting the general conditions stated in the invitation to Bid; while non-complying proposals are those that do not adhere to specifications and other technical details. Defective bids shall not be considered along with non-complying submissions, because those already violated the tender rules and conditions. Non-complying proposals may give a hint to the requester whether he accepts the alternative or go for rebidding.

If the received bids financial offers are the same amount for the specification those bids are called as tied bids.

5.9. PROBLEMS RELATED TO THE SOLICITATION AND RECEIPT OF OFFERS

Time extension and amendments to the solicitation

If a supplier is granted a time extension to respond to a bid request, all suppliers must be notified that they are granted the same extension. All the changes should be reflected in the form of the supplementary bulletin and communicated among all the suppliers in time.

Late bids (Without time extension)

The procurement person must make clear the SRCS policy relative late proposals. A common practice is **to refuse late bids and return them unopened.**

Offer with errors, irregularities or omissions

If a supplier identifies a mistake in a bid after submission, it is a good practice to allow that supplier to cancel or withdraw the proposal. If an error is confirmed, the bidder should be allowed to cancel or revoke the bid without penalty. The SRCS should seek clarification of any information that is unclear or difficult to understand before final analysis of the supplier bid.

Confidentiality/ security

All the document which related to procurement or bidding should be secured to prevent unauthorised access. Confidential information about one supplier should not be shared with others.

The names of the bid committee members must remain confidential in order to decrease the possibility of undue influence by the competing entities.

All committee members must sign a Declaration of Impartiality and Confidentiality. Any person appointed as an observer of the evaluation process shall also sign a Declaration of Impartiality and Confidentiality. All committee members in the evaluation process must honour the commitments contained in the following clause:

- It is of utmost importance that the panellists do not have any financial interest in the outcome of the procurement, and it is the responsibility of the Procurement person to ensure that all members understand this requirement.
- Any member who has a potential conflict of interest due to a relationship with any firm must declare it and immediately withdraw from the bid committee process. S/He will be excluded from participating further in any capacity in the evaluation meetings. Any member who withdraws from

the bid committee after initiating the evaluation proceeding should be replaced and the evaluation process must be restarted.

Procedure for cancellation of solicitations

All bidders should be notified in writing as promptly as possible if the SRCS decides to cancel an in-process solicitation.

6.0.BID OPENING

Bids shall be opened in the presence of the Bid awarding committee. All the received bids need to be checked whether they meet requested standards. Inscrutable and defective proposals should not be considered for further processing. All non-defective bids shall be passed for technical working committee review, as a witness of the opening ceremony the key participants need to place their official short signature on the financial bid and technical drawing. All the action points and recommendation must be recorded as meeting minutes for future reference. Non-signed bids should not be considered for further evaluation, therefore, procurement person is to check each detail before concluding the opening ceremony.



Opening minutes of 265 latrines cons

6.1.BID EVALUATION

After the bid opening, the procurement person with BAC needs to conduct assessment according to allocated criteria. The team will prepare BAC report.

A standardised process should be used to manage supplier bids. The time and date that each proposal received should be recorded. All bids should be reviewed completeness; any area needs clarification should be noted. According to observation, the procurement person shall prepare a summary using spreadsheet or chart. Supplier selection depends on factors such as risk and spends level. The low spend value analysis could focus on price, breadth of product line, and delivery terms. The high spend level analysis would include technical capabilities, experience, and reputation is very important.

Five types of analysis could be used for high spend level procurement

6.1.2.Technical analysis:

The review would confirm that the supplier proposal satisfies the specifications or scope of the work. Procurement person should actively involve the engineering, construction: operation and implementation and monitoring and other stakeholders in the technical analysis of the bid.

6.1.2. Operational analysis

It evaluates the feasibility of the project /product or service being purchased. Although the supplier capable of completing the work, the SRCS need to conduct operation analysis to verify the economics, ease of use, functioning feasibility of the service.

6.1.3. Price analysis

Examination of a supplier's price proposal or bid by comparison with reasonable benchmarks, without testing and evaluation of the separate elements of the cost and profit making up the price. For above purpose catalogue or market prices, or independent cost estimates could be used.

6.1.4. Cost analysis

It determines the reasonable cost of goods or service based on an evaluation of actual or anticipated cost data such as material, labour, overhead, general and administrative and profit. This analysis used for the manufacturing sector, high over spend community project SRCS could apply this methodology. The primary purpose of this analysis is to identify the profit margin of the project so that the buyer can bargain the best price from the supplier. Allocating right profit margin to supplier would help to build long-term supplier relationship and trust. E.g.: Construction projects

6.1.5. Risk analysis

The analysis is the process of identifying risk elements or factors and determining the probability that their occurrence in the procurement process. This can be done both internally and externally; following factors shall be considered including capacity constraints, inability to reduce cost, incompatible information system, information security, quality problems, inventory management, financial health, disasters and legal obligations.

6.2. EVALUATION CRITERION

The following criteria used for bid evaluation in common, thus solicitation documents must include a request that the supplier provides information to allow critical factors to be evaluated.

- Financial conditions
- Consistency in quality and delivery and delivery performance,
- Nature of relationship
- Operational capabilities and flexibility
- Technical capability
- Lead time or delivery time
- Service
- Continuous improvement capabilities
- The total cost of ownership
- Transportation and logistics
- Information security
- Supply chain risk
- Managerial capabilities

Depending on the items the following factors could also be considered

- Past performance: The recent performance history would be significant evidence to forecast future performance and, therefore, supplier achievement should carefully be evaluated.
- Capacity: The capacity evaluation will predict the type of the contract or offer he or she can handle as a supplier
- Skills: It is essential to learn whether the supplier has enough capability to manage the duty; otherwise the buyer need to organise relevant skill development program.
- Integrity: Assessing integrity would help to engage suitable payment terms or business relationship with the supplier
- Time in business and market: track record would indicate the business sustainability
- Certification and licensing: Verify the supplier has enough credential and license to perform the duty according to an accepted standard. This would include Business registration and Legal documents from relevant bodies, ISO 9000 or ISO 14000 certifications
- Business continuity plan: To provide uninterrupted service and operation business continuity is an essential component. The plan address ow an organisation will resume partially or completely interrupted critical functions within a predetermined time.

6.3.MULTI-ATTRIBUTED EVALUATION TOOLS

Price based evaluation may not indicate entire supplier performance; the SRCS is a humanitarian; therefore, it is vital to select supplier under multicriteria. The critical supplier attributes are identified and weighted relative to each other, usually in a percentage that adds up to 100. Then, each supplier is rated on each quality. Scale based approach is recommended, scale 1-4 will be used, with the higher score being the better performance on the attribute. The final step is to multiply its rating on each attribute by the weight for attribute to get a composite score. The higher score supplier will be considered for the award the PO or contract.

Attribute	Weight	Rating for Supplier A	Weighted score of supplier A
Financial performance	4	4	16
Technical support	3	3	9
Price	5	2	10
Past performance	2	4	8
Managerial capacity	2	3	6
Composite score			49

Rating: 1 worst to 5 best



Goods purchase supplier evaluation

6.4.RFP OR TECHNICAL BIDS ANALYSIS

RFQ and RFP analysis cannot be conducted under the same criteria and methodology because the later one needs more technical attention to confirm the quality. Thus, two processes need to follow on RFP analysis such as technical and financial analysis. The solicitation document should include concise instructions as to submit document in separate envelopes. The BAC shall open technical document and analyze according to following the standard criterion

- Administrative evaluation and specific experience of service provider such as business registration, legal documents, tax clearance certificate, municipality registration, management structure, experience, specialisation etc.
- Adequacy of proposed methodology and work plan: Project implementation plan, business process chart, a program of work, workplan, cost analysis, quality control, completeness and responsiveness, clarity of the proposal, timeliness of the output, flexibility and adaptability etc.
- Qualification and competence of proposed key staff: Adequacy for assignment, general qualifications etc
- Suitability of the transfer of knowledge: Organization and staff credentials, certification -ISO or previous achievements.

Above criteria weight could be change depending on the project such as constructions, human resource selection, designing firm selection. Following weight suggested for construction project evaluations

EVALUATION CRITERIA	WEIGHT
Administrative evaluation and specific experience of the service provider	10
Adequacy of proposed methodology and work plan	50
Qualification and competence of proposed key staff	30
Suitability of the transfer of knowledge	10

Above proposed weight can be split under sub assessment criteria. All the sub-criteria need to be evaluated using a scale such as poor, satisfactory, good and very good. The rating scale is categorised as 1,2,3,4 respectively 40%, 70%, 90%, 100% in percentage value.

The lowest grade is 40 % and highest degree 100%, the lowest grade cannot be a zero percentage because it would imply the supplier/contractor has not responded at all to the TOR specific criteria. The main criteria evaluated by summing up the sub-criteria points.

Examples: Adequacy of proposed methodology and work plan -weight is 50

SUBCRITERION	**GRADE**	**WEIGHT**	**TOTAL**
Understanding the objectives of the assignment	70%	10	7
Technical approach methodology	90%	5	4.5
Workplan	40%	10	4
Completeness and responsiveness	100%	5	5
Organisation and staffing	70%	5	3.5
Clarity of proposal	70%	5	3.5
Timeliness of output	70%	5	3.5
Flexibility and Adaptability	70%	5	3.5
Total point for a criterion			3**4.5**

The technical analysis needs to conduct for 100 points, usually 70 technical points considered as a minimum requirement for financial evaluation. The contractor who failed to get 70 technical points considered as a non-qualified candidate for financial evaluation, therefore, their financial proposal must be returned to the contractor as it was submitted without opening. Other qualified contractor's financial bids will be considered for analysis, and the financial analysis should be carried the following way.

Following formula $p= y (\mu/z)$ used for financial evaluation, the total points for financial evaluation is 30.

Where: p- points for the financial proposal being evaluated
y- Maximum number of points for the financial proposal
μ-price of the lowest priced proposal
z- Price of the proposal being evaluated

For example The lowest Proposal value is 2500 USD
Proposal B financial value is 4500USD
Maximum allocated points for financial evaluation is 30
Can you calculate the allocable financial points for proposal B?
$p= y (\mu/z)$
$p= 30 (2500/4500)$
$p= 30 x5/9$
$p=16.66$

The winner shall be selected according to cumulative points. For example, supplier A received total technical points is 80 so that approved technical points is 56 (80x70%), obtained financial points is 16.66. Thus, A received whole evaluation point is 72.66 (56+16.66).
As each supplier total cumulative points need to be populated in an excel sheet and rank them as synthesis, from lowest to highest, the highest points supplier C will be selected as the winner.

SUPPLIER	A	B	C
Technical points	56	52	54
Financial points	16.66	18	30
Total points	72.66	70	84
Rank	2	3	1


Synthesis.xlsx


Supplier Technical Evaluation Form for

6.5. IMPORTANT FACTORS SHOULD BE CONSIDERED IN ANALYSIS

6.5.1. Specifications or Scope of the work

The most critical task in evaluating suppliers" bid is to ensure the quotation or scope of the work adhere to the specification and requirements which stated in the solicitation documents. If the specification, it may cause two type of issue: At best, it can alternate the design and service at lower cost, which may be acceptable; at worst, it may cause quality concerns or may not meet the minimum requirement. The procurement person must, therefore, confirm the following things in analysis

- Suppliers are qualified to tender responses to the solicitation
- Suppliers are responding to the specifications
- Any exceptions are acceptable to all concern's parties in the SRCS

Nevertheless, it would be advisable to stick always with the solicitation document requirement.

6.5.2. Quality requirement

The supplier must adhere to the quality requirements and all other terms and conditions in the solicitation document. If a supplier makes exceptions, it is procurement person's responsibility to ensure the SRCS fully understands the effect of each exemption, and to determine whether an alternative proposal is acceptable.

6.5.3 Product/ service substitute

In general, SRCS should not consider an alternative proposal; however, depending on the situation, SRCS may consider an alternative product or service. In such a case, the reasons should always be discussed in the committee and documented.

6.5.4. Supplier's desire for a contract

A critical factor to evaluate before proceeding with the final selection should depend on several factors such as:

- If the supplier capacity is highly utilized, it may not be interested in new business
- Size of the order
- The potential for additional future business
- The opportunity to get a new market
- and the SRCS reputation

6.5.5. Supplier's strategic position

It is essential to know the supplier strategic position in the market. If the supplier's business is booming what would be the reasons, find out supplier technological status. Are there any possibilities to replace supplier product with innovative products or will supplier face a problem if a new supplier enters the industry?

6.5.6. Supplier financial condition

Supplier financial condition such as its cash flow, liability and other financial indicators should be assessed during the analysis. The procurement Person must be able to interpret financial statements within the context of the supplier's industry and be able to note the changes in a financial statement over time. The supplier in stable financial condition may be less likely to agree to contract terms that are unfavorable

them. On other hands, the same supplier has a lower financial risk and thus bring more credibility to fulfil contractual agreements. A financially weak supplier may have cash flow problems that could create supply disruption.

6.5.7. Supplier's source of strength

The supplier may be the only source for a commodity or service, or it may operate in a limited competitive market where there are only a few capable suppliers. The patent rights or good name of service, or better engineering support may increase their bargaining power.

6.6. CBA (COMPARATIVE BID ANALYSIS)

The analysis based on financial bid of all approved proposals is juxtaposed in a table to give a concise knowledge to the reader. The following information is necessary in the analysis; date of the offer, quotation validity, address, contact details, specification, delivery, payment terms, budget codes, budgeted amount, requisition and RFQ numbers and date of analysis, freight and logistics cost.

If the supplier quoted for different specification, different option column or row should be used. Therefore, the different specification should not compare in a row e.g.; Apple and Orange cannot compare in the same row. The CBA should carry ample justification for the supplier selection; therefore the following criteria could use quality, stock availability, meeting specification, culture, country law and order, price, experience, payment terms and cumulative score calculation etc. The PO shall be issued after the CBA approval, and vice versa option must not be accepted in any circumstance.



CBA sample

6.7. SAMPLE ASSESSMENT REPORT FOR GOODS/ SERVICES

In addition to supplier evaluation, depending on the nature of the procurement, a sample assessment may also be conducted to ensure right supplier selection. The BAC team along with project technical experts shall be involved in this process, before the evaluation, the requester needs to create an evaluation matrix. Please kindly find the sample annexed below.



Sample Evaluation Form - SOAP editing

6.8. BAC (BID AWARD COMMITTEE) MINUTES

After the technical and financial review, procurement person should draft BAC minutes. According to BAC minutes, the Purchase Order (PO) shall be issued to suppliers/ contractors. The minutes are an official justification for selecting suitable supplier/ contractor thus it needs to include following details; introduction, history of the bidding process, supplier profile assessment, bid evaluation procedure and results, recommendation and approval.



COC minutes for community latrines

6.9. SUPPLIER ASSESSMENT

Supplier capacity assessment report needs to be taken before issuing the purchase order (PO) to ensure transparency. However, if the capacity assessment report had been done at pre-qualification level, it may not be necessary to do again. A standard form has been drafted for this purpose, procurement Person

along with technical expert should visit supplier site for conducting the ocular visit. The team shall ask questions based on 10 criterion and verify all the pertaining supportive documents, visual documentation would be appreciated. The supplier receives an offer if the assessment is positive. Otherwise, the assessment report shall keep in the system for future reference.

6.9.1 Supplier data base

The procurement person shall maintain a supplier data base; the file should have following documents: including supplier registration form, legal document and latest assessment form.


Updated Supplier database-09 July 20

6.9.2 Reviewing of the supplier database

To ensure the integrity of the database, the list will be reviewed regularly by the Logistics/ Procurement Department. This will be done annually at a minimum.

Suppliers who have not received requests for quotes for a year or ones who have not responded to at least three requests shall be removed from the list.

The procurement person shall on a continuous basis evaluate the performance of the suppliers in the list. In evaluating the suppliers, the following will be considered:

1. Quality of goods or service provided.
2. Compliance to agreed terms and conditions of the contract
3. Delivery time compliance.
4. Efficiency in responding to requests for information.
5. Adherence to warranty provisions.
6. Speed and co-operation in resolving problems and settlement of claims.
7. Integrity of the supplier and information provided.
8. Financial stability.
9. Any litigation taken by the supplier against SRCS.

6.9.3 Blacklisting

A supplier maybe removed from the database for the following reasons:

- Poor performance based on contract compliance.
- Submission of false information deliberately.
- Bankruptcy.
- A decision of legal incompetence.
- Blacklisting by the office of the Auditor General.
- Failure to respond to three successive solicitations without reasonable explanation.
- Determination after initial registration that the products/services are not needed by SRCS.
- Criminal conviction or civil judgment against the supplier for commission of any offense indicating lack of business integrity or business policy.
- Filing a formal claim or lawsuit against SRCS, which in the opinion of the Society is frivolous, baseless and intended to cause mischief.

The proposal to blacklist a supplier shall be presented to the BAC for consideration and onward approval by Executive Director after reviewing the circumstance surrounding dissatisfaction. Only then shall the procurement person remove the supplier from the database.

7.0. PURCHASE ORDER/ CONTRACT

Purchase order is a legally binding document prepared by the purchaser to describe the terms and conditions of purchase. Although purchase order evidences some relationship between parties, by itself is usually does not constitute a contract. A contractual relationship exists only after acceptance of the order by the supplier.

A purchase order can strive to protect the organization interest in the following areas:

- Fixed prices and quantities, including taxes
- A right of inspection and rejection
- Warranty period, if agreed
- Right to make specification or design changes
- Indemnification against injuries or damages caused by the supplier actions
- The supplier's right to assign the contract to third parties or generate publicity
- Instruction regarding shipping or deliveries

7.1. IMPORTANT CLAUSES IN THE CONTRACT

7.1.1 Effective date: This clause specifies the time when the agreement take place

7.1.2. Indemnification: The limitation used to protect a purchaser or supplier from loss or damage. Indemnity refers to being reimbursed for penalties or liabilities incurred by one party because of another action. It is especially useful in a construction contract. Following things to be considered under the indemnification

- Product safety
- Product liability
- Patent infringement

7.1.3 Liquidated damage clause: Humanitarian operation target beneficiary needs thus the goods and service need to be delivered to safeguard the life. Suppliers are requested to provide the products in time to mitigate further calamity; a one-minute delay may lead unpreferable consequences in that case the liquidated damage clause help the SRCS to ensure timely delivery. Liquidated damages are a sum agreed upon during the formation of a contract which will be paid by the breaching party in the event of a defined breach of contract e.g., if the supplier fails to deliver the goods or services on the agreed delivery date, SRCS reserves the right to nullify the contract unless otherwise agreed mutually between both parties prior to the deadline. The earnest money and the security bond (if applicable) will be forfeited besides other action for non-performance of the contract.

7.1.4. Ethics and social responsibility Issues: SRCS is a neutral humanitarian organization which work with all type of people without discrimination and purely have faith on humanity thus its clients also need to adhere basic ethics and social responsibilities. The contract should include below-mentioned issues as mandatory

- **Basic Ethics:** supplier is expected to maintain the highest degree of business ethics when working with the SRCS.
- **Transparency of information provision:** supplier shall not be involved in any fraudulent activities, misrepresent information or facts to influence the selection and contract awarding process in its favour.

- **Fair competition:** supplier shall not be involved in any corrupt, collusive or coercive practices.
- **Officials not to benefit/conflict interest:** the supplier represents and warrants that no official of the SRCS has been or shall be admitted by the Supplier to any direct or indirect benefit arising from the solicitation process.
- **Protection, Gender and Inclusion**: The Supplier shall at all times comply with the requirements of thematic inclusion such as Child Protection, Gender, Person with Disabilities, Person with HIV/AIDS and Climate Change Adaptation and all other related statutory and regulatory requirements and the organisation's policies and procedures, and shall not treat any person or group of people less favourably than another on the grounds of age, race, colour, religion, ethnicity, sex, disability, nationality, marital status.

7.1.5. Payment terms: Under this clause which payment will be made are specified in the contract, however, before place the agreement the supplier should agree on the conditions. Thus it should have mentioned in the solicitation document as well.

7.1.6. Force majeure: The contract document should support both party business. Therefore, this clause would help both to cover any loss which happens beyond their control. Nevertheless, humanitarian procurement has many unpredictable outcomes thus before using force majeure clause the procurement person needs to analyse the situation and modify its content according to country law. Blindly following pre-drafted provision might lead a legal challenge to SRCS.

7.1.7. Guarantee: Promise made by the seller that the product is of the best quality

7.1.8. Warranty: The guarantee of repair or replacement of a product, a warranty can be classified two categories

- Express warranties: An express warranty is a specific assurance made by the seller either in writing or orally concerning the performance, quality or nature of the goods or services sold. This warranty could be in the form of an affirmation of fact, a description or a sample.
- Implied warranties: this warranty does not need to be listed primarily in the contract because the supplier has full legal ownership of the goods being sold. The supplier has the rights to sell or otherwise transfer the goods accordingly. Generally, the implied warranty included in the Invoice as condition apply terms.

7.1.9 Termination and exit clause: The terms applied when the supplier failed to follow the contract according to agreed conditions. The expense incurred up to the time of suspension or termination typically are reimbursed if adequately documented. Following things are considered as critical factors for termination:

- Failure without reason to commence its delivery on time.
- Failure to deliver goods and services according to SRCS terms.
- Failure to adhere to Purchase order specifications.
- Using SRCS purchase or business connection to use for personal gains.

7.1.10. Bid bond, performance bond and retention guarantee: Although the terms help to ensure the additional protection for the bidding process, after considering Somali culture, religion, law and order time being SRCS kept some flexibility on its implementation to avoid any legal challenges. Having said that for higher value procurement it might adapt this term in future.

- **Bid bond:** A bid bond guarantees that if the order is awarded to a specific bidder, that bidder will accept the contract and contract's obligations.
- **Performance bond:** The bond will guarantee the work done will be completed according to specification and time requirements. If the contractor or supplier fails to perform, the buyer is entitled to monetary compensation up to the amount issued in the bond.

- **Retention money:** This clause would allow the buyer to retain a percentage of the payment as cover for hidden defects in the completed work. This term generally used for construction projects, the standard is 5 to 10% of the contract it varies country to country.

7.1.11. Delivery date and terms: The purchase order or contract should have delivery terms and conditions, for international procurement INCOTERM used as a guide. Time of delivery is an essential part to avoid any conflict with the supplier.

7.1.12 Arbitration or dispute management: SRCS avoids conflicts, if things went beyond control, the SRCS might seek legal advice according to Somali laws.


PO for sanitary pad purchase-final.odt


Rainwater harvesting system C

8.0. REGRET NOTE FOR UNSUCCESSFUL SUPPLIERS

Suppliers are the pillar of strategic procurement thus SRCS shall try to treat all suppliers fair and decent manner. After the contract signed the procurement Person need to send a regret note to the unsuccessful supplier, the letter should indicate the reasons for the non-selection and should encourage them to apply future opportunity as well.

8.1. INSPECTION

The inspection shall be carried out by an independent person who has more knowledge about the items. The standard process is to use a form to populate all the details and pictures. It is the inspector's responsibility to check the received items against the sample and purchase order if both match items should be accepted otherwise rejected. The inspection shall be carried out based on approved sampling practice; please refer the inspection form and sample methodology in the attachment.


SRCS Inspection report.xlsx


AQL Standard Acceptable Quality L

8.2. RECEIVING GOODS

It is requester's responsibility to obtain the goods after conducting a physical inspection if the goods delivered to Warehouse then warehouse official might help this task. When goods are delivered to the consignee, the carrier will request a delivery note regardless of the mode of transport. Nevertheless, the receiver shall inspect the quality, quantity, specification along with the PO details. If everything right, the receiver needs to issue a GRN (Goods Received Note) as an acknowledgement.


deliverynote or waybill.xls

8.3. PAYMENT

After completion of satisfactory delivery, the purchaser shall submit a payment request to finance with below document:

- Requisition
- Approved RFQ and drawings
- Quotations or bids
- CBA
- BAC minutes

- Bid Opening minutes
- Pre-bidding meeting minutes
- Copy of signed official PO
- Invoice
- GRN
- Delivery note/certificate of completion
- RFP (Request for payment)

During invoice receiving the procurement person should go through each document carefully, if any incomplete documentation observed the supplier need to resubmit on the agreed date.

A complete payment document shall be forwarded to finance along with a checklist; the procurement person should keep a scanned copy in a file. As soon as finance department accept the document, the procurement person shall send an email to the supplier regarding agreed timeline.

The procurement person needs to follow the payment deadline with the finance department, as soon as payment ready the supplier shall be informed to collect the payment. It would be good if we keep a day for specific activity increase efficiency and effectiveness in operation.


Request for Payment Template - revised.dc

9.0. REPURCHASE

The SRCS will allow the repurchases under below conditions

- The procurement should have been completed under public tender, and the supplier capacity also assessed under robust criterion.
- Previous procurement quotation still has the validity till the new procurement concluded
- New procurement and past has the same specification and terms and conditions
- The new procurement to be carried out within three months of the previous one.
- The new procurement purchase quantity is either equal to or less than the previous one.
- The new procurement should not carry an additional hidden cost

If the new procurement complies with all the above conditions, then procurement person should prepare a justification note and get the approval from senior management before issuing new purchase order (PO).

9.1. EMERGENCY PROCUREMENT

Emergency and exigency: requirements of operation leave no time to conduct a proper tendering process for supplies to address immediate and unforeseeable humanitarian requirements generated by sudden natural or man-made disasters.

Emergency purchase of supplies shall, upon the authority of the Executive Director, be resorted to without public bidding based on the approved authority levels in the following instances:

- Whenever the supplies or material urgently need to meet an emergency which may involve the loss of, or damage to life and property
- Whenever there is not enough time to procure goods through the official procurement process, but the items are essential to completion of project or activity which cannot be delayed without causing detriment to Red Cross/Red Crescent image.

9.1.1. LIMITATION OF EMERGENCY PURCHASE

Emergency purchase of supplies and materials shall be limited to the following:

- Items wherein need cannot be reasonably anticipated to allow its procurement through regular public bidding.
- Purchase of supplies or services which do not require detailed technical specification or technical inspections.
- Purchase of unpredictable requirements of low-value supplies that are emergency in nature, the delay in the procurement of which will jeopardize operations or accomplishment of a mission, endanger life or property, or be detrimental to SRCS.

9.2. CIRCUMITANCES FOR NEGOTIATION

- Whenever the items under procurement have unsuccessfully been placed on a bid for at least two consecutive times, either due to lack of bidders or the offer or offers received in each instance were exorbitant;
- Whenever the materials or services are sold by an exclusive distributor or manufacturer who does not have sub-dealers selling at a lower price and for which no suitable substitute can be obtained elsewhere at more advantageous terms to the SRCS.
- In cases where negotiation approach brings more benefits than the usual re-bidding process e.g., Budget and time constrains
- Whenever the supplier has a strong technical background, and which benefits in many ways SRCS project implementation.

Negotiation actions points should be recorded in a minute's form and approved by relevant negotiators before issuing the PO.

9.3. INCOTERMS

Transportation takes a significant part of procurement cost. Because of miscommunication the buyer or supplier may end up with conflict. To avoid such issues International Chamber of Commerce has introduced 11 commercial terms. It covers three modes of transports such as Road, Rail and Sea.

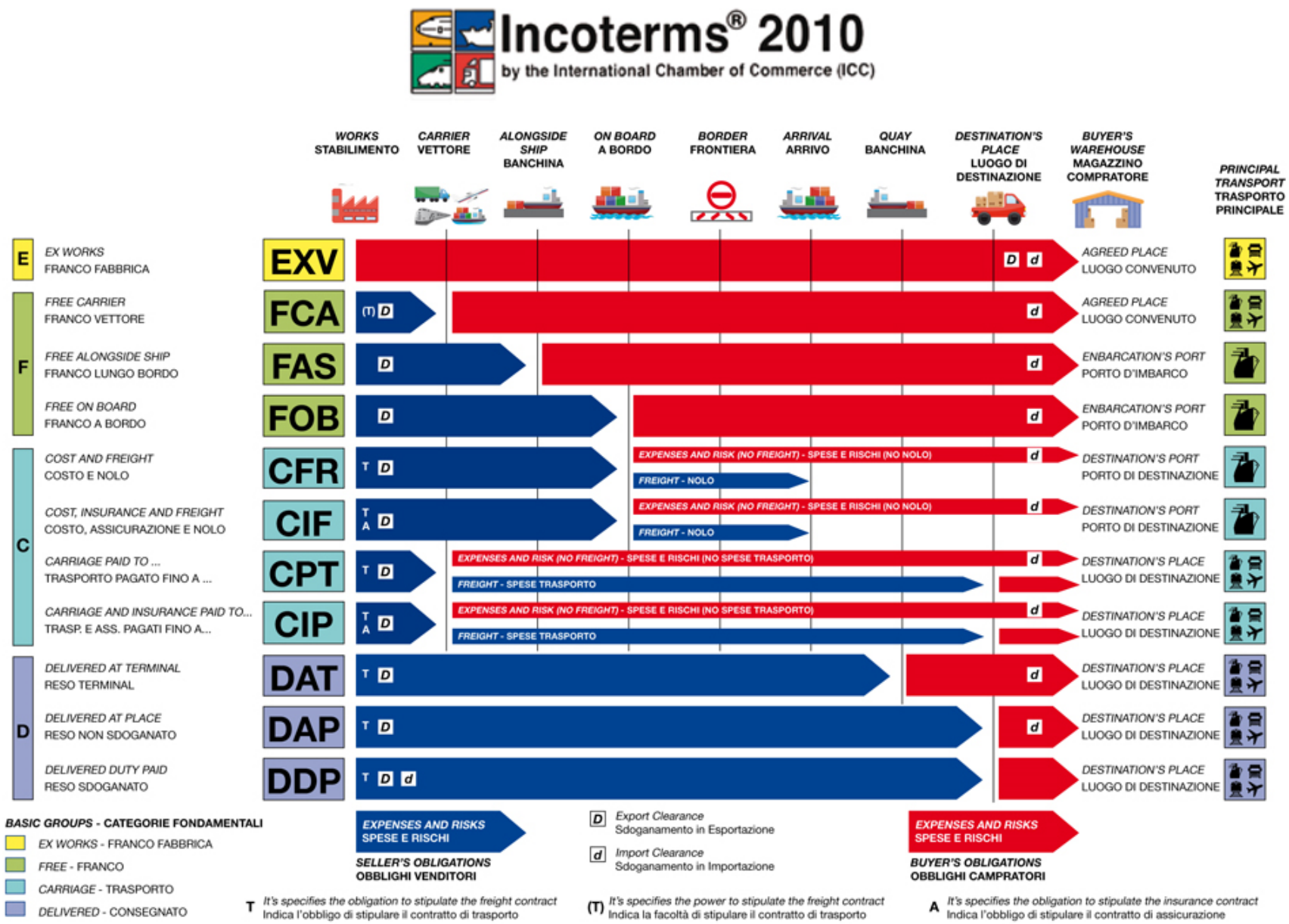
Latest accepted version is INCOTERMS 2010; it provides a set of internationally recognized rules specify supplier and buyer obligations for shipment international trade contracts such as

- Spilt of each party's duties: Customs taxes payment, loading and unloading costs bearing, the risk of loss and damages carrying during transit and party in charge of taking out transport insurance
- Definition of the time and place where the liability of the supplier ends and the commitment of the procurement entity starts
- Defining exactly when the transfer of the essential rights and obligations (transfer of risk and transfer of liability) from the supplier to the consignee or requester occur

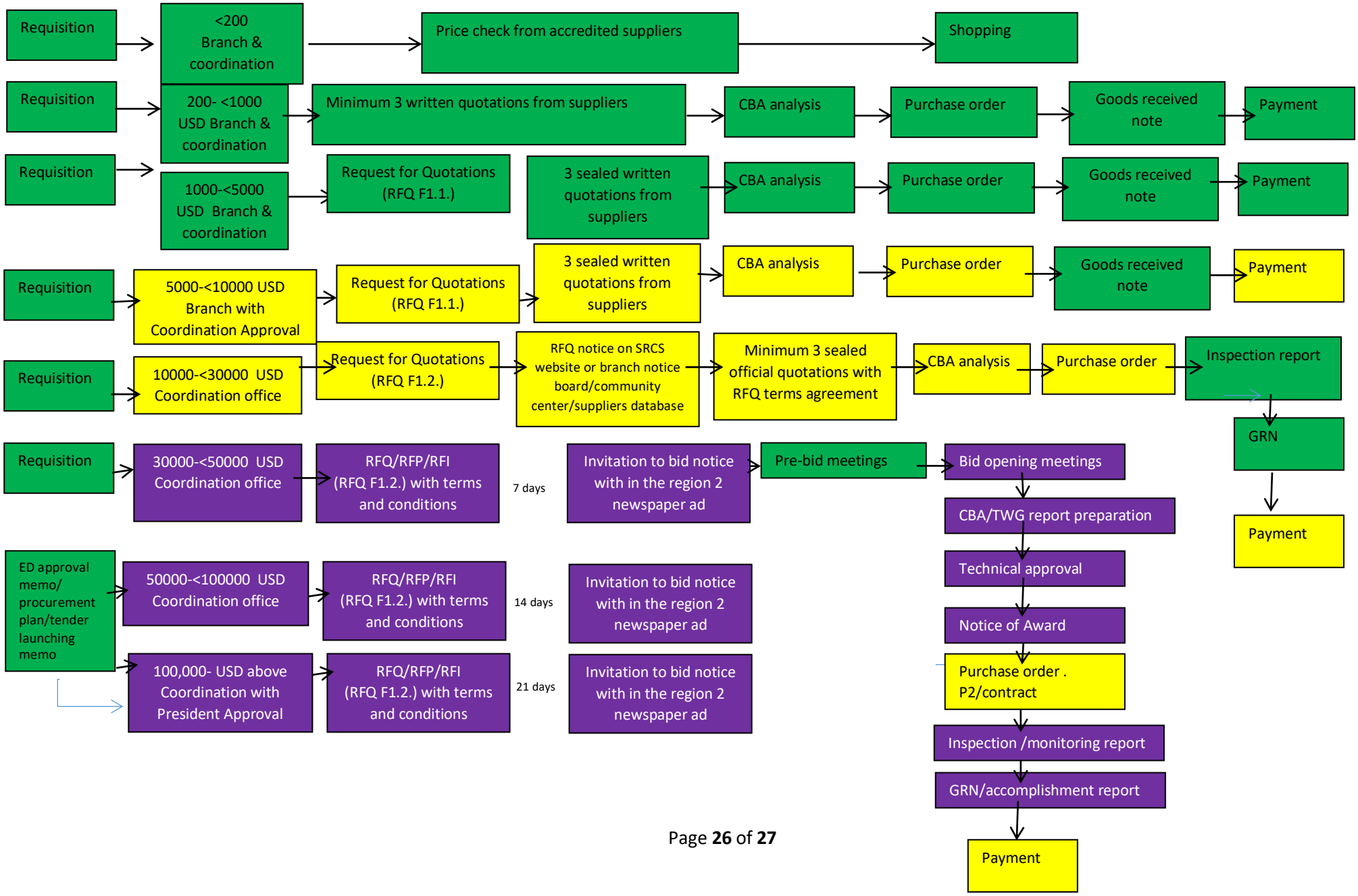
SRCS predominantly use land route. Therefore here below is the list of the relevant INCOTERMS for usage and other details which are indicated in the graphics

TERMS	MEANING	SUPPLIER RESPONSIBILITY	BUYER RESPONSIBILITY
EXW	EX WORKS		All charge (freight and insurance) till reach buyer place
FCA	FREE CARRIER	All charge till supplier port	All costs from supplier port

CPT	CARRIAGE PAID TO	Other carriage charges till buyer place	Insurance until buyer place
CIP	CARRIAGE AND INSURANCE PAID TO	Fright charge till buyer place	Insurance until buyer place
DAT	DELIVERED AT TERMINAL	Freight and insurance till buyer's terminal	Freight and insurance from buyer's terminal
DAP	DELIVERED AT PLACE	All charges till buyer's place	
DDP	DELIVERY DUTY PAID	All charges till buyers WH	


Incoterms® 2010
by the International Chamber of Commerce (ICC)
WORKS STABILIMENTO
CARRIER VETTORE
ALONGSIDE SHIP BANCHINA
ON BOARD A BORDO
BORDER FRONTIERA
ARRIVAL ARRIVO
QUAY BANCHINA
DESTINATION'S PLACE LUOGO DI DESTINAZIONE
BUYER'S WAREHOUSE MAGAZZINO COMPRATORE
PRINCIPAL TRANSPORT TRASPORTO PRINCIPALE
E
EX WORKS
FRANCO FABBRICA
EXV
AGREED PLACE
LUOGO CONVENUTO
F
FREE CARRIER
FRANCO VETTORE
FCA
AGREED PLACE
LUOGO CONVENUTO
FREE ALONGSIDE SHIP
FRANCO LUNGO BORDO
FAS
ENBARCATION'S PORT
PORTO D'IMBARCO
FREE ON BOARD
FRANCO A BORDO
FOB
ENBARCATION'S PORT
PORTO D'IMBARCO
C
COST AND FREIGHT
COSTO E NOLO
CFR
EXPENSES AND RISK (NO FREIGHT) - SPESE E RISCHI (NO NOLO)
FREIGHT - NOLO
DESTINATION'S PORT
PORTO DI DESTINAZIONE
COST, INSURANCE AND FREIGHT
COSTO, ASSICURAZIONE E NOLO
CIF
EXPENSES AND RISK (NO FREIGHT) - SPESE E RISCHI (NO NOLO)
FREIGHT - NOLO
DESTINATION'S PORT
PORTO DI DESTINAZIONE
CARRIAGE PAID TO ...
TRASPORTO PAGATO FINO A ...
CPT
EXPENSES AND RISK (NO FREIGHT) - SPESE E RISCHI (NO SPESE TRASPORTO)
FREIGHT - SPESE TRASPORTO
DESTINATION'S PLACE
LUOGO DI DESTINAZIONE
CARRIAGE AND INSURANCE PAID TO...
TRASP. E ASS. PAGATI FINO A...
CIP
EXPENSES AND RISK (NO FREIGHT) - SPESE E RISCHI (NO SPESE TRASPORTO)
FREIGHT - SPESE TRASPORTO
DESTINATION'S PLACE
LUOGO DI DESTINAZIONE
D
DELIVERED AT TERMINAL
RESO TERMINAL
DAT
DESTINATION'S PLACE
LUOGO DI DESTINAZIONE
DELIVERED AT PLACE
RESO NON SDOGANATO
DAP
DESTINATION'S PLACE
LUOGO DI DESTINAZIONE
DELIVERED DUTY PAID
RESO SDOGANATO
DDP
DESTINATION'S PLACE
LUOGO DI DESTINAZIONE
BASIC GROUPS - CATEGORIE FONDAMENTALI
EX WORKS - FRANCO FABBRICA
FREE - FRANCO
CARRIAGE - TRASPORTO
DELIVERED - CONSEGNATO
EXPENSES AND RISKS
SPESE E RISCHI
SELLER'S OBLIGATIONS
OBBLIGHI VENDITORI
D Export Clearance
Sdoganamento in Esportazione
d Import Clearance
Sdoganamento in Importazione
EXPENSES AND RISKS
SPESE E RISCHI
BUYER'S OBLIGATIONS
OBBLIGHI CAMPRATORI
T It's specifies the obligation to stipulate the freight contract
Indica l'obbligo di stipulare il contratto di trasporto
(T) It's specifies the power to stipulate the freight contract
Indica la facoltà di stipulare il contratto di trasporto
A It's specifies the obligation to stipulate the insurance contract
Indica l'obbligo di stipulare il contratto di assicurazione

10.0 PROCUREMENT PROCEDURE CHART FOR URURKA BISHA CAS (SRCS)



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