

Procurement Policy



KBM CARE
SERVING THE UNSERVED



PROCUREMENT POLICY

INTRODUCTORY COMMENT

- 1) These policies and procedures are designed to achieve the following objectives:
 - To provide guidelines for procurement;
 - To provide effective coordination among procurement department, finance department and program departments in planning and procuring items at economic cost;
 - To strengthen the system of internal controls in the areas of obtaining quotations, evaluation and selection of qualified suppliers and processing of documents confirming the order;
 - To purchase appropriate materials and services and to document procurement fully and transparently; and
 - To facilitate the establishment of supplier's database.

PROCUREMENT ETHICS

- 1) All KBM Care procurement activities will be carried out in a manner providing complete impartiality and transparency with no preferential treatment.
- 2) Procurement process must allow suppliers to compete for the KBM Care Foundation business on fair basis. Staff associated with procurement department will, therefore, be responsible for protecting the integrity of the procurement process, maintaining fairness in KBM Care Foundation's treatment of all suppliers.
- 3) The standard of conduct for all staff involved in procurement activities will include:
 - During the pre-solicitation phase, procurement staff will not allow supplier(s) to access the information on a particular acquisition before such information will be available to the business community at large. Further, KBM Care Foundation will not use unnecessary restrictive specifications or statements of work that may discourage competition;
 - Procurement staff will not solicit or accept, directly or indirectly any gift, favor, entertainment or any promise of future employment from anyone who has or is seeking to obtain business;
 - Procurement staff having a financial interest in one or more suppliers responding to the KBM Care Foundation's solicitation will be prohibited from any involvement in procurement action;
 - Procurement staff will not disclose proprietary and source selection information, directly or indirectly, to any person other than a person authorized to receive such information; and
 - KBM Care Foundation will encourage small entrepreneurs to discourage monopoly and to ensure fair competition for all suppliers.
- 4) It is the Foundation's policy to require that bidders/suppliers/contractors observe the highest standard of ethics during the procurement and execution of such contracts. In pursuance of this policy, the Foundation:

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- a) Defines, for the purposes of this provision, the terms set forth below as follows:
- **Corrupt practice** means the offering, giving, receiving, or soliciting of anything of value to influence the action of a public official in the procurement process or in contract execution; and
 - **Fraudulent practice** means a misrepresentation of facts in order to influence a procurement process or the execution of a contract to the detriment of the Borrower, and includes collusive practices among bidders (prior to or after bid submission) designed to establish bid prices at artificial, non-competitive levels and to deprive the Borrower of the benefits of free and open competition;
- b) Will reject a proposal for award if it determines that the bidder recommended for award has engaged in corrupt or fraudulent practices in competing for the contract in question;
- c) Will cancel the contract awarded for goods or works if at any time it determines that representatives of the bidder/supplier/contractor were engaged in corrupt or fraudulent practices during the procurement or the execution of that contract.
- d) Will declare a bidder/supplier/contractor ineligible, either indefinitely or for a stated period of time, to be awarded a contract if at any time it determines that the bidder/supplier/contractor has engaged in corrupt or fraudulent practices in competing for, or in executing, a contract; and

PROCUREMENT FILE

- 1) Procurement Department will maintain following documents for procurement above Rupees 10,000. This file will at least contain following documents:
- Purchase requisition;
 - Request for Quotation;
 - Quotations/Proposal received;
 - Comparative Statement;
 - Minutes of Procurement Committee;
 - Purchase Order along with terms and conditions;
 - Delivery Challan/ Copy of the invoice;
 - Goods inspection report; and
 - Goods received note;

INITIATING A PURCHASE

- 1) Purchases will be initiated by submitting a duly approved Purchase Requisition (**Annex “PC – 1”**) to Procurement Department. Any KBM Care staff member may submit a request and will be responsible for:
- Furnishing all information and specifications necessary to make a correct purchase;
 - Ensuring that Purchase Requisition includes full budget and account information;

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- Stating an estimated price for the request (base on the previous knowledge, a quotation or a budgeted amount); and
- Ensuring that Purchase Requisition is fully reviewed and approved by the competent authority.

2) The maximum limits regarding the approval of Purchase Requisition are as follows:

Procurement Limits	Approving Authority
Up to Rupees 10,000	Secretary
Rupees 10,001 – Rupees 25,000	Secretary
Rupees 25,001 – Rupees 50,000	Secretary
Rupees 50,001 and above	Executive Committee (Min two Director)

3) Purchase Requisition will be prepared in triplicate and distributed as follows:

First Copy	Procurement Department
Second Copy	Accounts Department
The third Copy	Retained by the requisitioning department

FORMATION OF PROCUREMENT COMMITTEE

- 1) A procurement committee will be formed for all purchases above Rupees 10,000. The Procurement Committee will have at the minimum three members as follows:
 - A representative of the Procurement/Administration Department;
 - A representative of the respective department for which goods are to be procured;
 - A representative of the Accounts Department.
- 2) The Procurement Committee will be responsible for ensuring that all the procurement activities are carried out in accordance with the standard policies and procedures narrated in this chapter.

PROCUREMENT PLANNING

- 1) Procurement planning is essential for effective and timely solicitation of bids and proposals, award of contracts, and delivery of goods and services required. The following issues need to be addressed during this stage:
 - Procurement categories;
 - Existing list of potential sources;
 - Ensuring funds availability and authorization;
 - Preparing and providing adequate purchase descriptions;
 - Delivery time;
 - Evaluation criteria; and

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- Justification of non-competitive procurement.

SOURCING OF SUPPLIERS

- 1) In order to achieve the best value for money, it is important that only those suppliers/contractors/bidders are called upon to quote who are capable of satisfactorily executing orders.
- 2) The first step in selecting a supplier is often market research, particularly if the product or service has not been procured before.
- 3) Registration of Prospective Suppliers
- 4) The Procurement Department is required to prepare and maintain a roster/list of bidders/suppliers/contractors whose performance has been of the highest degree of realism and has best met the KBM Care Foundation's requirements stated in the solicitation.
- 5) Suppliers' roster maintenance will include supplier re-qualification and supplier performance monitoring. Procurement Department will qualify all suppliers every three years.

Pre-qualification of Suppliers

- 1) Pre-qualification is recommended to ensure that offers are sought only from suppliers who have the requisite resources and experience to perform the intended work satisfactorily.
- 2) Pre-qualification will be set off by obtaining from suppliers, through general advertisement or letter, their detailed particulars to enable the KBM Care Foundation to establish a list of capable suppliers whilst ensuring that a proper level of competition is safeguarded.
- 3) Advertisements will be given in the leading newspapers requesting the suppliers to submit particulars under registered acknowledgment due cover. The suppliers will be asked to give product catalogs including product specifications and prices.
- 4) Evaluation of New Suppliers
- 5) Once a list of potential suppliers has been developed and finalized, the Procurement Department will classify suppliers into well-defined categories to evaluate the capabilities of each supplier.
- 6) Supplier Evaluation Form (Annex "PC – 2") will be used to evaluate the financial status, type, and quality of goods, delivery, and performance ability of the supplier, and the Procurement Director will inform all suppliers individually whether or not they have been pre-qualified.
- 7) The key guidelines for supplier's appraisal are as follows:
 - Technical capacity to deliver goods and services as per schedule;
 - Adequacy of financial strength; and/or
 - Capacity to provide after-sales-service for the goods or services provided;

PROCUREMENT CATEGORIES

- 1) Procurement of goods will be classified into the following categories depending upon the estimated value and terms and conditions of the items to be procured:

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- Up to Rupees 15,000
 - From Rupees 15,001 to Rupees 25,000
 - From Rupees 25,001 to Rupees 250,000
 - Above Rupees 500,000
- 1) Each of these categories has a different set of procedures. It is forbidden for any KBM Care staff to separate purchase requests or orders to avoid compliance with the rules outlined in each of these categories.
 - 2) **Procurement up to Rupees 15,000:** These purchases will normally be handled through petty cash disbursement and vendor receipts. No internal procurement documentation is required besides the Petty Cash Reimbursement Statement (Annex “CB – 2”, Chapter 6: Cash and Banks). The purchases will compare prices and obtain the most competitive price (normally through one quotation), in any case.
 - 3) **Procurement from Rupees 15,001 to Rupees 25,000:** Goods under this category may be procured by obtaining one quotations, whether verbal or written. The payment will be made through a normal banking channel unless the amount of procurement is too low or it is difficult to procure goods other than cash.
 - 4) **Procurement from Rupees 25,001 to Rupees 500,000:** Request for Quotation (Annex “PC – 3”) will be issued to pre-qualified suppliers by the Procurement Director. There should be in minimum three responsive offers to evaluate the offer.
 - 5) While awarding contracts, the Procurement Committee will consider prices offered by the bidders, their previous performance, and their ability to render satisfactory service.
 - 6) After all quotations have been received and examined for completeness, Administration Assistant will prepare a Comparative Statement (**Annex “PC – 4”**) containing relevant information about the quotations received. The Comparative Statement will be signed by all members of the Procurement Committee.
 - 7) The proceedings of the Procurement Committee to evaluate the quotations received will be recorded on the Minutes of the Procurement Committee. The Minutes will be intended to summarize various aspects of items to be procured and the criteria adopted to select the bidder. The Minutes will at least include:
 - List and specification of items to be procured;
 - Comparative Statement;
 - Detail of negotiations with bidders regarding price including other terms and conditions; and
 - Method to select successful bidder.
 - 1) Where no quotation is received, the procurement team appointed by the Procurement Committee will obtain quotations by visiting the market. Prices and other terms and conditions will be recorded on the Comparative Statement along with the signatures of the Administration Assistant.

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- 2) **Procurement over Rupees 500,000:** Invitation to Bid will be used for procuring goods where the value of items to be procured exceeds Rupees 500,000. Bids will be invited through advertisements in at least one national daily newspaper.
- 3) Bidders will be asked to drop their bid documents in a sealed bid box. The box should be placed in a secure and approachable place until the time and date set for bid opening.
- 4) Bid opening will take place, in the presence of the members of the Procurement Committee and one or more witnesses appointed by the Director General, at the time, date, and place specified in the solicitation. The related particulars will be recorded in the Bid Opening Sheet (**Annex "PC – 5"**) prepared by the authorized person and signed by all members of the Procurement Committee.
- 5) After all bids have been received and examined for completeness, Administration Assistant will prepare a Comparative Statement containing relevant information of the bids received. The Comparative Statement will be signed by all members of the Procurement Committee. The Procurement Committee will evaluate all the bids received and record its proceedings on the minutes of the Procurement Committee.
- 6) In case all bids exceed the budgeted amount, the Procurement Committee will be authorized to conduct negotiations with the lowest bidder to reach an acceptable price.
- 7) It is also possible to receive bids that are identical in price and meet all the requirements established in the solicitation. At the discretion of the Procurement Committee, the award will be made in any permissible manner including:
 - Award to Islamabad-based bidder;
 - Award to the bidder who received the previous award in the same material; and
 - Drawing lots.
- 8) The Director Administration will inform all bidders individually whether or not they have been selected.
- 9) If only one responsive bid is received, the procurement committee will have the authority to:
 - Award the bid;
 - Reject the bid;
 - Cancel the procurement; and
 - Select an alternative procurement method.
- 10) If no bids are received or there are no responsive bids, the Procurement Committee will be authorized to:
 - Determine the practicability and advantage of issuing new solicitations;
 - Select an alternative procurement method and obtain approval of the Director General; and
 - Document the procurement method selected.

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EMERGENCY PROCUREMENTS

- 1) In cases of emergency, the Director General may procure goods costing up to a maximum of Rupees 100,000 from a supplier offering the lowest price consistent with quality, quantity and service required.

PURCHASE ORDER

- 1) The successful supplier will be issued a Purchase Order (Annex "PC – 6") upon the recommendation of the Procurement Committee. Purchase Order will be prepared by the Procurement Department in triplicate and distributed as follows:

First Copy	Supplier
Second Copy	Accounts Department
The third Copy	Retained by the Administration Department

- 2) All Purchase Orders issued will be controlled through the Purchase Order Register (Annex "PC – 7") maintained in the Procurement Department.
- 3) Purchase Order will be the conclusive evidence of approval for procurement. Purchase Order will specify the time, place of delivery, amount of retention money, and other terms and conditions relevant to the supply of goods.
- 4) Retention Money will be deposited in the bank account and a receipt will be issued to the supplier. Memorandum record of retention money will be maintained in the Retention Money Register (Annex "PC – 8") and this amount will be refunded at the end of the contract.

DELIVERY OF PROCURED GOODS

- 1) Upon delivery, the goods will be inspected by the Goods Inspection Committee, constituted by the Director General comprising at least three members, and the particulars thereof entered in the Goods Inspection and Return Report (Annex "PC – 9"). The members of the Goods Inspection Committee will sign the report in token of their evaluation and examination of the goods procured.

If any or all of the goods are found defective or damaged, these will be returned to the vendor at his own expense and