

2021

# Procurement Policy



Revised & approved February 2021

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## INTRODUCTION

JEAO has established a Procurement Policy to document the minimum requirements and controls over procurement activities of Justice for Equality in Afghanistan Organization - JEAO in order to provide a transparent process for purchasing reasonably priced, high-quality goods and services, while complying with organizational, Operational and financial requirements. Open and fair procedures for purchasing of goods, works and services help to create efficient enterprises. They also encourage accountability and the cost-effective use of JEAO's funds, matters that are of concern to both the JEAO and Donors.

### Scope

This policy applies to all employees of the JEAO. JEAO's Procurement policy deals with the procedures for procurement of office essentials and equipment. The purpose of this policy is to ensure that financial honesty is assured by prescribing a range of appropriate methods for purchasing and procurement, including, where appropriate, a competitive tendering and contracting process. Two main principles that apply are; the requirement for impartiality and fairness across all stages of the tendering and purchasing process, and; the necessity for obtaining the best possible value for money.

## SECTION 2 –POLICY PRINCIPLES

The following principles of procurement guide this policy:

- Provide for open competition to the extent possible;
- Obtain price quotations, review them against established criteria, use selection committee, and justify the vendor choice;
- Ensure adequate segregation of duties in the request, review, approval, and payment processes;
- Adhere to the approved Delegation of Authority Limits Policy in place in the Head office;
- Document the procurement process; and
- Update the head/subsidiary office Asset Register as new items are purchased, noting funding source and other details.

A transparent and competitive bidding process is required for all procurement of goods or services above US\$50 or local currency equivalent at prevailing exchange rate. The following principles apply to competitive bidding:

- The bidding process shall be conducted in a manner that provides, to the maximum extent practical, open and free competition.
- Requests for bids shall clearly set forth all requirements that the supplier must fulfil in order for his bid to be evaluated by JEAO Administration.
- Awards shall be made to the supplier whose bid is responsive to JEAO request and is most advantageous with regard to price, quality and other factors.
- Any and all bids may be rejected when it is in JEAO interest to do so.

## SECTION 3 – PROCEDURES

In the JEAO system, specific procurement procedures are dependent on the monetary value of the intended procurement. The greater the value of a given procurement, the more care and effort is called for to ensure it is needed, that the vendor selected is the best one for the job, and appropriate approvals are obtained.

The procurement is divided into the following categories, or thresholds:

- Procurement less than \$300 (\*or Afghani AFN equivalent at prevailing exchange rate)
- Procurement \$300 to \$999 \*
- Procurements \$1,000 to \$19,999 \*
- Procurement \$20,000 and higher \*

*Note 1: The local currency exchange rate should be based on the agreed monthly rate applied in QuickBooks at the time the procurement request is approved.*

*Note 2: Amounts above refer to the sum total of a procurement order, not the per-item cost. The splitting of procurement orders in order to fall under lower thresholds is not allowed.*

*Note 3: This procurement threshold excludes Food Expense, Office Expense, Generator Expense and Fuel Expense.*

### The First Step in the Procurement Process:

#### **Purchase Requisition Form**

Any request for the purchase of goods or services begins with the **Purchase Requisition Form**. This is the first step of the procurement process, and is recommended for all procurement, regardless of value.

Small petty cash transactions up to \$50 (or AFN equivalent at prevailing exchange rate) may be carried out without a Purchase Requisition Form, as long as the Payment Request Form is approved by authorized staff. However, for any procurement of goods or services above \$50 (or AFN equivalent at prevailing exchange rate), the completion of a Purchase Requisition Form is mandatory.

The Purchase Requisition Form should be initiated by the Administration department /Requestor. Detailed specification of the type and quantity of goods or services is required. The Requestor completes the form and passes it to administration department for verification. The Administration department signature confirms the need and justification for the requested goods or services. The form then passes to the Finance department for review and verification of the budget coding and funds availability. The form is then finally approved by an authorized designation, according to the JEAO delegation of authority limits.

Following the full cycle of review and authorization, the Purchase Requisition Form then passes to the relevant procurement/administration staff for purchasing the goods or services.

The specific requirements for each threshold of procurement, according to the estimated total value of each procurement transaction, are outlined below.

### **Procurement less than \$300 (or AFN equivalent at prevailing exchange rate)**

Procurement orders less than \$300 (or AFN equivalent) do not require a competitive bidding process or Purchase Order. One official receipt or paid invoice from the supplier is sufficient to support such purchases. It is expected that the purchaser will exercise prudence and common sense, seeking to obtain the best value-for-money.

For small cash purchases up to \$50, a Purchase Requisition Form is not required; the transaction may be carried out on the basis of a duly authorized Payment Request Form, with the official receipt from the supplier attached. For procurement above \$50 but less than \$300 (or AFN equivalent), the transaction may be carried out on the basis of a duly authorized Purchase Requisition Form, to be followed by an approved Payment Request Form with the supplier receipt attached.

### **Procurement \$300 - \$999 (or AFN equivalent at prevailing exchange rate)**

Procurement transactions of total value above \$300 up to \$999 (or AFN equivalent) require a duly authorized Purchase Requisition Form, a minimum of three price quotations, an approved Price Quotation Bid Analysis, and an approved Purchase Order (or Supply /Service Contract instead of PO). Each step of the process is explained below.

#### **Request for Quotation**

The Administration/Procurement/Logistic Officer will solicit price quotations using the **Request for Quotation Form**.

Prospective suppliers may be identified at the discretion of the Administration Officer, in consultation with his/her supervisor, based on common knowledge of local markets.

Detailed specification of the type and quantity of goods or services is required, and must appear in the exact same manner on each Request for Quotation Form sent to prospective suppliers.

The Request for Quotation Form may be sent to suppliers by hand delivery or by email as long as electronic signatures are affixed and copies made for the procurement file. The JEAO will have a dedicated email account to use for procurement correspondence. The email account will be managed by the Administration/Procurement/Logistic Officer, with the supervisor also having access to the account and password. All procurement paperwork such as Request for Quotation Forms and Purchase Orders that are delivered via email must be sent from /returned to the dedicated procurement email address.

Suppliers may choose to submit their own pro forma invoice or price quotation on company letterhead instead of directly on the company Request for Quotation Form. This is acceptable as long as the supplier marks "see quotation attached" in the price information column and signs on the bottom of the JEAO-issued Request for Quotation Form.

### ***Price Quotation Bid Analysis***

Upon receipt of at least three completed Request for Quotation Forms from different suppliers, the Administration/Procurement/Logistic Officer in consultation with the JEAO head office will prepare a **Price**

#### **Quotation Bid Analysis.**

If it is not possible to obtain at least three price quotations, written justification must be provided by the Administration/Procurement/Logistic Officer, verified by Administration Chief/Director/Manager and JEAO head office and approved by the Chief Executive Officer of JEAO before proceeding with purchase. (See guidance below on “Single /Sole Source Procurement”).)

The Request for Quotation Forms completed and signed by suppliers (with supplier’s own quotation attached, if applicable) must be attached as supporting documentation to the Price Quotation Bid Analysis.

The Price Quotation Bid Analysis is reviewed by the Administration Chief/Director/Manager to ensure that procedures have been correctly followed, before approval by authorized personnel, as per JEAO delegation of authority limits.

#### **Purchase Order**

Upon approval of the Price Quotation Bid Analysis, the Administration/Procurement/Logistic Officer will prepare a **Purchase Order**. A Purchase Order is required for any procurement transaction of total value above \$300 (or AFN equivalent). The Purchase Order represents official commitment and intent to purchase the agreed items from the selected supplier. In JEAO, Purchase Orders must contain a **serialized reference number** for any procurement transaction above \$300 (or AFN equivalent). The Administration/Procurement/Logistic Officer will maintain an electronic register of PO reference numbers and will assign numbers accordingly to any PO of total value above US \$300 (or AFN equivalent).

The Purchase Order must be reviewed by the Administration Chief/Director/Manager before approval by the Chief Executive Officer, or other senior staff whose delegated authority limit to approve expenses is above the total value of the Purchase Order. The Purchase Order is then sent to the supplier.

The Administration/Procurement/Logistic Officer will retroactively affix the Purchase Order reference number on the Purchase Requisition Form and the Price Quotation Bid Analysis for any procurement transaction of total value above \$300 (or AFN equivalent). The Purchase Order reference number should also be included on the final Payment Request Form, so that all documentation related to that particular procurement transaction carries the same reference number.

Once the agreed items have been received from the supplier, the Requestor must acknowledge receipt by affixing a manual note on the supplier’s own Delivery Note or Receipt such as: “I confirm receipt as specified and in good order”, with his/her signature and the date received. Following receipt acknowledgment, the Administration Officer will

prepare a Payment Request Form, attaching all original supporting documentation, for approval by designated personnel.

### Contracts vs. Purchase Orders

In some cases, a Supply/Service Contract, or a Professional/Consulting Services Contract may be a more appropriate instrument than a Purchase Order. If the procurement is complex in nature, will be carried out over a period of time, or payments will be made in installments, a Contract is advisable. Examples would include: A Service Contract for construction or fabrication of items; for the provision of vehicle fuel over an extended period; for internet service provision; for out-sourced security guard services; for technical service, maintenance or repair; or a Professional or Consulting Services Contract for an external program evaluation or supplemental training services, etc.

### Procurement Planning and Bulk Purchase Orders

It is important that procurement planning is linked to the annual budget. The Administration Chief/Director/Manager will work with each department to establish a procurement plan and monitor it throughout the year. The Administration is encouraged to carry out background research of local markets to develop and keep on file a full list of suppliers that provide particular items that are commonly required by JEAO; this will speed up the process of identifying suitable suppliers to send Request for Quotation Forms when procurement needs arise.

The JEAO will pursue bulk purchase orders or supply contracts to the extent possible for materials that are known will be required throughout the year. Purchase in bulk often results in lower price and saves time and effort in avoiding multiple rounds of procurement. Factors such as secure storage space and transport will be considered in such cases.

### **Procurement \$1,000-19,999 (or AFN equivalent at prevailing exchange rate)**

All steps and requirements for procurement in the threshold \$300 – \$999 (or AFN equivalent) also apply to procurement \$1,000-19,999 (or AFN equivalent). In addition, any procurement above \$1,000 (or AFN equivalent) requires review by a Selection Committee, completion of Vendor Information Form, completion of Procurement Checklist, and authorization of final payment by the Chief Executive Officer or any other designee, based on the “Delegation of Authority Approval Limit”.

*\* Note: Being a Head office for all the JEAO will be require to receive all the quotations those are received from vendors and will be evaluate for further process of the JEAO administration department will be a part of the selection panel of any goods and services.*

### Vendor Information Form

For procurement transactions \$1,000-19,999 (or AFN equivalent), the Administration/Procurement/Logistic Officer will send out the Request for Quotation Form to prospective suppliers together with the **Vendor Information Form** for the vendors to complete and return with their bids.

Following receipt of at least 3 price quotations from suitable suppliers, the Administration Chief/Director/Manager will prompt the Chief Executive Officer to appoint the Selection Committee. The Administration/Procurement/Logistic Officer will prepare a dossier including: all completed Request for

Quotation Forms (with supplier's own pro forma invoice attached, if applicable); completed Vendor Information Forms from each supplier, and a copy of the originally approved Purchase Requisition Form to present to the Selection Committee once convened.

*Note: In cases of procurement above \$1,000-19,999 (or AFN equivalent), the Selection Committee Decision Form is used instead of the Price Quotation Bid Analysis. However, the Administration/Procurement/Logistic Officer may draft a Price Quotation Bid Analysis to submit together with the complete dossier to the Selection Committee as a helpful reference tool to facilitate the Committee's review and decision.*

### Selection Committee Guidelines

The Selection Committee is group of 3-5 staff members, appointed by the Chief Executive Officer, to select the final bid /vendor for procurement orders above \$1,000-19,999 (or AFN equivalent). To the extent possible, selection committee members should be of manager level job holder and above represent different departments. The following staff should not be a selection committee member:

The Administration/Procurement/Logistic Officer, specific employee of that department – for which the procurement is undertaken (\*nevertheless could participate as an observer or technical advises on goods/services) and Chief Executive Officer. All committee members are required to read and understand the JEAO Procurement Policy and guidelines.

Committee members are appointed by the Chief Executive Officer on an ad-hoc basis to convene each time there is a procurement transaction above \$1,000-19,999 (or AFN equivalent). The Chief Executive Officer is encouraged to vary the composition of committee members as often as possible.

The role of the Selection Committee is to ensure that the procurement process and vendor selection are objective, fair, competitive, and in the best interests of organization/company. Each member of the Selection Committee is required to sign the **Selection Committee Conflict of Interest Disclosure Form**, to provide information regarding any current or potential conflicts of interest that s/he may have with vendors who submit bids. Signed Disclosure Forms are retained in the procurement file.

The original Requestor of a procurement action should not be a member of the Selection Committee. However, the Requestor can be a reference for the Selection Committee if the committee members have any questions or concerns.

Price should be one of the main factors in the evaluation of vendor bids, but the Selection Committee is not required to take the lowest price if other factors such as quality and timeliness of delivery are important to the decision. Reasons for final vendor selection should be fully documented on the **Selection Committee Decision Form**.



The final decision of the Selection Committee should be made by consensus (all members agree on the same vendor). If after prolonged discussion no consensus is reached, the final decision may be made by a majority vote. If the chosen vendor cannot fulfil the order to supply the goods/services for any reason, the Selection Committee will meet again and choose another vendor according to the usual process.

After completion of the Selection Committee Decision Form and signature by all committee members, the Administration Chief/Director/Manager will sign at the bottom of the form to confirm that all procedures were followed correctly and all required procurement documentation is annexed, before submission to the Chief Executive Officer for approval. Any ethical concerns regarding the procurement process should be brought to the attention of the Chief Executive Officer.

### Single / Sole Source Guidelines

In certain circumstances, particularly in some of the operating environments where JEAO works, it may not be possible to obtain price quotations from more than one supplier. Examples of such cases may include:

- Specific goods or services are available from only one source, where there are no known competitors, maybe due to patents or copyrights.
- Only one supplier is able to provide the specific requirements of needed goods or services, such as replacement parts, compatibility, quality, service, support, etc.
- Only one supplier responds to Request for Quotation solicitation (after repeated, documented attempts) or Public Advertisement.
- An emergency situation arises that justifies the immediate procurement of urgently needed goods or services through one supplier.
- Delays caused by prolonged search for multiple quotations will cause impairment of project objectives.

In such cases where goods or services are available through only one source /supplier /vendor, the decision to proceed with the procurement must be fully justified and documented. In such cases, the Administration Chief/Director/Manager will write a memo addressed to the Chief Executive Officer, providing detailed explanation and justification for the single /sole source procurement. The memo must be presented to the Selection Committee for procurement of value above \$1,000-19,999 (or AFN equivalent). The memo must be attached as supporting documentation to the Payment Request Form, for verification by the Administration Chief/Director/Manager and approval by the Chief Executive Officer.

### Procurement Checklist

An additional requirement for procurement in the threshold above \$1,000-19,999(or AFN equivalent) is the **Procurement Checklist**. The purpose of this form is to ensure that all required steps are being followed and documented correctly, particularly for procurement of significant value and higher risk. Completion of the Procurement Checklist flows throughout each step of the process, verified by different actors in the chain, but the Procurement/Logistics/Administration Officer is the one responsible to ensure that the checklist is fully completed and attached as supporting documentation to the procurement and payment files.

## **Procurement above \$20,000(or AFN equivalent at prevailing exchange rate)**

All of the requirements that apply to procurement above \$1,000-19,999(or AFN equivalent) also apply to procurement above \$20,000 (or AFN equivalent).

In addition The public tender process can be waived by the Chief Executive Officer for procurements that do not lend well to the process. The email request and approval for a waiver must be printed and kept in the, procurement above \$20,000 (or AFN equivalent) requires an open, public tender process, whereby the request for procurement is advertised publically (instead of issuing Request for Quotation Form to identified suppliers), and supplier bids are submitted in sealed envelopes, to be opened and reviewed by the Selection Committee before onward review and approval by the Chief Executive Officer and other designee “**Per Delegation of Authority Approval Policy**”. procurement file. In cases where a public tender waiver is received, the process will follow steps outlined in the threshold above \$19,999 (or AFN equivalent), with review and approval by the Chief Executive Officer.

### **Public Tender Process**

For procurement above \$20,000 (or AFN equivalent), the Procurement/ Logistic/Administration Officer will draft a **Public Advertisement** which outlines the detailed specification of goods or services that are required, and provides clear application instructions to interested suppliers. A public tender dossier will be prepared for interested bidders to collect from the office according to instructions given on the public advertisement. Any Public Advertisement must be reviewed and approved prior to dissemination by the Chief Executive Officer.

A Public Advertisement may be issued through local or regional newspapers, radio, and/or posted on the office gate or other suitable public locations. The application deadline for submission of bids /proposals must be at least one week. Application instructions must include all necessary information that suppliers will be required to submit and how/where they must be submitted before the stated deadline.

Bids/proposals must be submitted by suppliers in a sealed envelope and deposited at the office in a lockable box or cabinet. The Administration Chief/Director/Manager holds the key and is responsible for ensuring that no one accesses the box/cabinet before the Selection Committee meets.

The box must be opened in the presence of the Selection Committee. The bids /proposals are reviewed and selection of supplier made through the usual selection committee methods and documented on the Selection Committee Decision Form. The Selection Committee may choose to provide additional explanation and documentation of the proceedings through a separate “Memo of Public Tender Review”, to be attached to the procurement file for onward review and approval by authorized officers.

## PROCUREMENT DOCUMENTATION

Both the Finance Department and the Administration Department need to maintain their own separate and complete sets of procurement files. The Finance Department will keep all original documents in the final payment files. The Administration Department will keep all copies of the original paperwork for procurement above \$50 Purchase Requisition Form (for procurement above \$50 or AFN equivalent) (or AFN equivalent). This will ensure that both offices have complete documentation for higher value procurement transactions.

Each procurement file must contain the following, according to threshold requirements:

- Request for Quotation Form (for procurement above \$300 or AFN equivalent)
- Price Quotation Bid Analysis (for procurement above \$300 or AFN equivalent)
- Purchase Order (for procurement above \$300 or AFN equivalent)
- Supply/Service Contract or Consulting/Professional Services Contract (if used in lieu of a Purchase Order, for procurement above \$300-999 or AFN equivalent)

Vendor Information Form (for procurement above \$999 or AFN equivalent)

- Selection Committee Conflict of Interest Disclosure Form and Selection Committee Decision
- Form for each committee member and Procurement Checklist (for procurement above \$1,000-19,999 or AFN equivalent)
- Copy of Public Advertisement and Public Tender Dossier (for procurement above \$20,000 or AFN equivalent)
- Delivery receipt acknowledgment
- Supplier's Paid Invoice or Receipt (for all procurement)
- Payment Request Form, approved by authorized officers (for all procurement)
- Copy of cheque payment (for all procurement paid by cheque)

## POLICY APPROVAL & REVISION

This JEAO Procurement Policy supersedes any previous such policy and will remain in force until amended or cancelled. Any changes to this policy must be approved in writing by the Board of Directors BoD's.

## SECTION 4 – APPENDIXES

### APPENDIXES

1. Purchase Requisition Form
2. Request for Quotation Form
3. Price Quotation Bid Analysis
4. Purchase Order
5. Vendor Information Form
6. Selection Committee Conflict of Interest Disclosure Form

7. Selection Committee Decision Form
8. Procurement Checklist
9. Supply/Service Contract (template example)
10. Sole/Single Source Memo (template example)
11. Public Advertisement (template example)