



Procurement Policy

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1. PURPOSE

SPC's *Procurement Policy* provides a framework for the purchase and acquisition of all goods and services by SPC to ensure that money is spent efficiently, effectively, economically and ethically.

The intent of this policy is that SPC:

- obtains the best value for its purchases, in terms of both cost and quality;
- demonstrates financial probity and accountability to its members and development partners;
- manages and prevents the potential for conflicts of interest;
- reduces its environmental impact; and
- manages any other risks.

The policy is to be read in conjunction with the requirements of SPC's *Financial Regulations*, and any other relevant policies.

2. SCOPE

This policy applies to:

- SPC staff, whether full-time, part-time or casual;
- non-staff personnel, including SPC contractors, students and interns;
- implementing partners, including those to which SPC has disbursed funds under grantee or sub-delegation arrangements (unless otherwise agreed); and
- any other person providing services or goods to SPC, or seeking to do so.

3. DEFINITIONS

Procurement is the act of purchasing or acquiring:

- any goods and supplies, including the lease, rental or supply of any products, goods and/or equipment;
- services, including consultancies, travel, service contractors (e.g. servicing of air-conditioning units) and technical assistance; or
- works, including the design, architectural services, civil engineering and construction of capital works.

Bidder is a person, organisation or other legal entity that submits a quotation or proposal in response to SPC's solicitation for bids during a procurement activity.

Consultant is a person, organisation or firm engaged for a limited time period to:

- provide specified goods, works or services that implement established policy objectives; or
- perform operations or functions that involve skills or capabilities that would normally be expected to reside within SPC but which are not currently available.

Implementing partner is any legal entity that cooperates or collaborates with SPC to implement a project or programme, for example, a non-governmental organisation (NGO), other international organisation or government agency.

PGRAS is the Procurement, Grants, Risk and Assets Section within the Finance Department of SPC.

Procuring section is the area within SPC initiating the procurement activity. It could be a division, section, team or programme.

Authorised delegate is a person authorised by SPC's *Instrument of Delegations* or *Instrument of Authorisation* or any SPC policy to make a decision or to undertake an activity. In any conflict between this policy and the *Instrument of Delegations*, the *Instrument of Delegations* prevails.

Where a function is given to a particular position, a position higher in the reporting line is also able to fulfil the function (e.g. Deputy Director-General Noumea is able to undertake all approvals allocated to Director Finance).

Informal sector is a sector where the main participants may not have a complete and functional office set up, may not operate under any standard policies and procedures, or may not be linked with any local banks or taxation system. Examples of an informal sector may include individual farmers, a farming community, small community-based organisations or small NGOs.

Vendor is a person, organisation or other legal entity that SPC has contracted to provide goods, services or works.

4. RESPONSIBILITIES

All SPC staff and non-staff personnel are expected to:

- abide by their duties and obligations under SPC's *Staff Regulations*, this policy, *Decision-making at SPC*, and any other relevant rule, regulation or policy;
- protect the integrity of the procurement process and SPC's reputation;
- maintain appropriate records and documentation to account for all procurement decisions over the lifecycle of all goods, services and works purchased by SPC; and
- use SPC's electronic procurement processes to ensure an audit trail of decision-making.

Failure to comply with any part of this policy by SPC staff can lead to disciplinary action.

Procurement, Grants, Risk and Assets Section will:

- support procuring sections through the procurement process;
- convene a Procurement Committee, as required, and prepare necessary documentation;
- ensure the procurement process complies with this policy;
- maintain a full set of documents for every procurement process;
- maintain the Corporate Gift and Hospitality Register; and
- maintain the conflict of interest register.

Procuring sections will

- plan their procurement;
- participate in the procurement activity with guidance from PGRAS;
- provide any original documents to PGRAS for record keeping; and
- keep appropriate records of the procurement activity.

Bidders and vendors are expected to:

- submit bids in accordance with the procurement process;
- act ethically; and

- maintain appropriate records and documentation to show fulfilment of contractual obligations and submit them to SPC on request.

A bidder's or vendor's failure to comply with any part of this policy or with any contractual arrangements may lead to either an unsuccessful bid, or in serious cases a listing as a non-responsible vendor.

5. PROCUREMENT PRINCIPLES

SPC's procurement is to be guided by the following principles:

- ethics
- value for money
- open competition
- green office.

5.1 Ethics

It is critical for SPC's reputation that any procurement activity be seen to be above reproach. Ethical behaviour supports openness and accountability in procurement, with the result that suppliers have confidence in SPC's procurement process. SPC values the integrity of its staff, and relies on them to act at all times in an ethical and honest manner. SPC staff are expected to maintain the highest ethical standards.

An ethical approach to procurement involves more than simply avoiding corrupt or dishonest conduct. It also requires behaviour that upholds public values and ensures impartiality, accountability and transparency.

5.1.1 Accountability and transparency

The test for accountability and transparency is whether an independent third party can clearly see that a defined process has been followed and that the process was fair and reasonable. This policy clearly sets out SPC's procurement processes so that they are transparent and available for all stakeholders. SPC must ensure that it has sufficient evidence to show that the processes have been followed appropriately in each case.

5.1.2 Perceived impropriety and influence

SPC will prevent the intent and appearance of unethical or compromising conduct in relationships, actions and communications. Behaviours or actions that may negatively influence, or appear to influence, supply management decisions will be avoided at all times, including behaviour that may be seen to result in favouritism or undue advantage.

Perceptions of bias can arise if an SPC officer is seen to accept a gift from an individual or entity seeking to win SPC business. Any gifts or hospitality offers made to SPC staff valued at more than EUR 50 must be declared to PGRAS to be included in SPC's Corporate Gift and Hospitality Register.

No SPC officer shall, either directly or indirectly, solicit or accept gifts or presents from any member of the public who is involved, either directly or indirectly, with any matter that is connected with the duties of the officer, or in which SPC has an interest. During the course of business, if gifts or hospitality are offered by vendors for representation reasons to SPC as a corporate entity or in

appreciation of work done by SPC staff, to either an individual or a group, it must be declared to PGRAS.

Offers of bribes, commissions or other irregular approaches from organisations or individuals (no matter how insignificant it may be), must be promptly brought to the attention of the Deputy Director-General Noumea or the Director Finance.

This does not prohibit normal, customary business entertainment and the giving of business mementos of nominal value, provided that all such entertainment and gifts are lawful, reasonable and directly related to the business of vendor.

5.1.3 Conflicts of interest and perceptions of bias

A conflict of interest occurs when a person's personal interests may conflict with their responsibility to act in the best interests of SPC. Personal interests can include the person's own direct interests, as well as those of family, friends or other organisations in which the person is connected or invested. A conflict of interest may be actual, potential or perceived, and may be financial or non-financial. For example, a conflict of interest will arise if an SPC officer or family member has shares in an organisation that is tendering for a contract.

Avoiding actual, potential and perceived conflicts of interest is fundamental to ensuring the highest levels of integrity and accountability in a procurement process. All SPC staff are obliged to report any potential conflicts of interest in their decision-making under the policy, *Decision-making at SPC*.

No staff, families of staff, or entities in which staff have a pecuniary or personal interest shall be involved in any procurement process, unless all interests have declared, and the Director Finance has approved their participation in the procurement. If the Director Finance approves the participation, the staff member with the potential conflict will be excluded from all parts of the procurement process.

A failure to declare a potential conflict of interest should be reported to the Director Finance or Deputy Director-General Noumea in accordance with *SPC's Managing Fraud and Corruption Policy*.

5.1.4 Confidential and proprietary information

SPC will protect confidential and proprietary information of any entity involved in the procurement process. Maintaining confidentiality ensures the integrity of the procurement process, prevents any bidder from gaining an advantage, and protects SPC from allegations of misuse of confidential information.

Each individual involved in the procurement process is personally responsible for maintaining confidentiality in all oral and written communications, as well as in the handling of information through electronic means.

5.2 Value for money

A core governing principle of SPC's procurement process is to obtain the best value for money. The best value for money is not necessarily the lowest initial price, but rather is based on an integrated assessment of technical, organisational and pricing factors in light of their relative importance against the requirements (i.e. reliability, quality, experience, reputation, past performance, cost and/or fee realism and reasonableness).

To obtain the best value for money, it is important to consider the optimum combination of ‘total cost of ownership’ (i.e. acquisition inclusive of all purchase costs [freight, insurance taxes], and maintenance, running and disposal costs), and its fitness for purpose (i.e. quality and ability to meet SPC’s requirements).

5.3 Open competition

Open competition allows all responsible sources to compete in a fair and open environment. It requires the procurement to be conducted in a manner that it is fair, transparent, non-discriminatory and proportional.

All prospective contractors and suppliers must be provided with standard information and accorded equal and fair opportunity to enable them to provide their quotation or proposal. The quotations or proposals received will be compared. Impartiality must be maintained throughout the procurement process so that no action taken could be perceived as discriminatory to any party or as causing unfair advantage or disadvantage to any party.

5.4 Green office

SPC aims to develop offices that are environmentally sustainable by continuing to increase its energy efficiency. It also aims to minimise its impact on the environment through its programmes. To that end, SPC has adopted a principle of green procurement, which involves, where possible, purchasing products and services that have a minimal or reduced environmental and human health impact. This principle is part of the formula for considering whether the item delivers value for money.

SPC will assess the environmental impact of goods and services it purchases against informed and internationally recognised standards and methods. Some practical steps it will take include ensuring due consideration is given to the following matters.

- Longevity (reusability, recyclability) when buying office equipment such as printers, scanners and photocopiers.
- Equipment rated for energy efficiency (e.g. 5-star rather than 1-star) and whether the extra costs can be recouped over the operating life of the equipment.

SPC will also:

- require suppliers to quote for equipment with the highest energy efficiency rating;
- look to buy recycled paper and stationery where feasible;
- only purchase printers or copiers that are capable of double-sided printing; and
- examine potential office equipment for energy saving/environmentally sustainable ‘tags’ or ‘eco-labelling’.

Where possible, Request for Proposals will include a requirement for suppliers to state the annual energy consumption of the equipment being supplied, the relative costs of different energy efficiency rated units, and the full life-cycle costs of the units.

6. DIFFERENT PROJECT IMPLEMENTATION AND MANAGEMENT MODES

Depending on financing agreements, or on the donors involved, in a project or programme, SPC may adopt different ways of implementing or managing a project. Additional or different policies may apply, depending on the modality adopted, including, in some instances, additional donor requirements.

During the design of a project or programme it is important that there is a clear understanding by SPC and the relevant donor about which modality will be adopted. A project may have more than one mode of implementation.

There are three main types of project implementation and management modes, as follows:

- direct implementation
- grant
- sub-delegation.

In all instances SPC will be held accountable (by the donor or by members) for any failure to adhere to relevant policies.

6.1 Direct SPC implementation

The vast majority of SPC projects, activities and programmes will implemented directly by SPC. When SPC directly implements a project or programme, the accountability for all procurement activities rests with SPC. Direct implementation can include SPC sub-contracting components of the project to vendors following a competitive procurement process.

There may also be additional requirements to comply with, if they are set out in a donor or financing agreement.

6.2 Grant

A grant involves SPC disbursing funds to an implementing partner to implement some specific project activities. The grantee will procure goods, services and works on behalf of SPC. SPC remains accountable to the donor for ensuring the grantee either complies with SPC's policies and procedures, or their own policies and procedures that conform with SPC's and/or international procurement standards.

The grant must be based on an approved proposal linked to an approved work plan, and within the framework of agreed project activities.

The awarding of any grant must be done in accordance with SPC's *Grant and Sub-delegation Policy*.

6.3 Sub-delegation

A sub-delegation involves SPC sub-delegating the implementation of some activities and budget (or sub-delegating its contracting authority) to an implementing agency. For SPC to agree to a sub-delegation the implementing agency will usually be a government entity, international organisation or well-established NGO, with comprehensive technical and financial administrative capacity. The sub-delegate would procure goods, services and works on behalf of SPC. SPC remains accountable to the donor for ensuring the sub-delegate conforms with SPC's and/or international procurement standards.

The sub-delegation of any authority must be done in accordance with SPC's *Grant and Sub-delegation Policy*.

7. PROCUREMENT COMMITTEE

To ensure accountability and transparency, SPC will establish a Procurement Committee to assist with certain procurement processes. The Procurement Committee may assist with evaluations, or provide

advice or recommendations on particular issues. The use of a Procurement Committee provides an additional safeguard to ensure compliance with SPC's procurement process before the award of a contract.

The committee's appointment, terms of reference and responsibilities are outlined in this section, as is further detail about the evaluation process.

7.1 Appointment

At the beginning of every year, PGRAS will provide a list to the Director Finance nominating up to 15 SPC staff to a roster of potential members of a Procurement Committee. The list will include a mix of staff from Noumea and Suva, and will include representatives from PGRAS, the Operations and Management Directorate (OMD), programmes and divisions.

PGRAS will use this roster, at first instance, to propose the membership of a Procurement Committee. The aim of establishing a roster is to ensure that members of a Procurement Committee are well trained and versed in SPC's procurement requirements.

If, in establishing a Procurement Committee, the members from the roster are unavailable, unable to participate or do not have the requisite technical knowledge to participate, PGRAS will propose alternative members to the Director Finance.

7.2 Establishing a Procurement Committee

SPC may establish a Procurement Committee for each procurement activity, or it may use the same committee for multiple activities.

PGRAS will propose to the Director Finance for approval, a Procurement Committee, consisting of:

- a PGRAS representative, who will chair;
- a PGRAS representative, who will provide secretariat support to the committee;
- a representative from the procuring section, who will act as the submitting officer and provide any clarification or information relevant to the procurement action;
- a representative from another programme area; and
- one other representative.

For a procurement activity involving:

- IT assets, a representative from the ICT Section must be included;
- furniture and fittings, a representative from Property must be included;
- publishing or translation and interpretation services, a representative from Language Services must be included.

7.3 Observers

Depending on the procurement, representatives from implementing partners, or recipients of the procurement, may be invited to attend the committee as observers. The Director Finance may authorise their attendance if PGRAS confirms that the observer has no potential conflicts of interest.

7.4 Responsibilities

All Procurement Committee members will be well versed in the requirements of this policy and all other relevant SPC policies, including *Decision-making at SPC*.

The Procurement Committee members are responsible for:

- adhering to the requirements of this policy, especially the obligations to act ethically and with due diligence;
- carrying out evaluations of bids and proposals in line with the Request for Proposal requirements for the particular procurement;
- ensuring that SPC's procurement process is followed for the relevant procurement activity;
- ensuring that a consistent and equitable method has been used for evaluation, and which does not favour any bidder;
- reviewing documents and justifications provided for procurement to ensure that the justification and documentation is complete and appropriate;
- making recommendations on a particular procurement activity; and
- providing advice on any exceptional process or cases of waiver of policy requirements.

The members have collective responsibility for decisions or recommendations taken or made by the committee. If members disagree on the evaluation this must be reflected in the report.

The Procurement Committee Chair is responsible for the smooth operation of the committee, coordinating the evaluation process and ensuring its impartiality and transparency.

The Procurement Committee Secretary is responsible for:

- circulating and collecting the declarations of impartiality and confidentiality;
- preparing and circulating documentation for the committee;
- keeping the minutes of all meetings and the relevant records and documents;
- recording attendance at meetings; and
- compiling the evaluation reports and their supporting annexes.

7.5 Declaration of impartiality and confidentiality

All members of a Procurement Committee and any observers who are part of the evaluation process must declare their impartiality and commit to maintaining confidentiality of the process. PGRAS will provide the necessary forms.

Any Procurement Committee member or observer who has or might have an actual or potential conflict of interest with any bidder or applicant must declare it and immediately withdraw from the evaluation committee for that procurement.

7.6 Scheduling meetings

PGRAS will organise the arrangements and logistics for Procurement Committee meetings.

Where possible, PGRAS will prepare a schedule of monthly meetings. However, PGRAS may also organise ad hoc meetings to consider individual procurement activities.

7.7 Submissions to Procurement Committee

PGRAS will work with the procuring section to prepare and provide all necessary and relevant documentation to the Procurement Committee to make a well-informed decision.

Documentation will include at least the following information:

- all information provided to bidders, including the advertisement and statement of needs
- all quotations or proposals received
- written information about communication between SPC and bidders during the solicitation process.

The Procurement Committee will, generally, be given at least five (5) working days to review any submissions before meeting, unless the crisis response procedures have been activated.

7.8 Quorum

The quorum for a Procurement Committee meeting is the Chair and at least four other members.

8. RECORD KEEPING AND DOCUMENTATION

SPC acknowledges that managing procurement documentation or records is a vital component of sound procurement practice. Procurement documentation serves as evidence of compliance with the procurement process. They are needed by internal and external auditors to ensure that SPC is fully accountable and effective in its performance.

PGRAS will maintain a full set of procurement documents for every procurement action. These records may be maintained electronically. For procurement actions not involving PGRAS, the relevant division or programme area is responsible for maintaining the records and making them available on request, to either OMD or external auditors.

Below is an explanation of the main procurement documents and their functions.

8.1 Purchase orders (PO)

A purchase order is a written authorisation from SPC for the procurement of goods, services or works. It is an official, binding contract and a commitment to a vendor by SPC for payment of the procurement being undertaken. It is generated by SPC's financial management software.

Purchase orders will be raised for all procurement activities, except for petty cash and direct payments. No work or delivery of goods and services will start before the approval of the purchase order.

A purchase order can be amended after approval but before it is released to the vendor. To make an amendment, the procuring section needs to request that PGRAS re-open the purchase order by providing reasons, justifications and relevant documentation related to the amendment. Once changed, the purchase order must be re-submitted for approval.

8.2 Contract

The award of procurement is made by issuing approved purchase orders and/or contracts to the successful vendor.

Standard SPC templates will be used for all contracts and legal documents. These will be reviewed and registered by PGRAS before being issued.

While a contract also forms SPC's commitment with external parties and is a legally binding document, a purchase order will still need to be raised to capture all legal commitments. The purchase order will be raised as soon possible after the signing of the contract. This is also to assist with the management of contracts and budget.

8.3 Solicitation documents

Solicitation documents are any documents that are used to provide information to possible vendors so that they can prepare a bid for a Request for Proposal (RFP) or Request for Quotation (RFQ). The detail and complexity of these documents vary depending on the type of procurement to be undertaken and the value of the contract.

8.3.1 Statement of needs

A statement of needs is the document setting out the specification of goods or scope of services being sought. For a consultancy, the terms of reference are the statement of needs.

8.3.2 Instructions to bidders

Instructions to bidders are a set of instructions provided on the RFP documents to guide prospective bidders on completing the proposal. It contains details on submission of proposals, evaluation criteria, how to request further information, the closing date and details of how the contract will be awarded.

8.3.3 Proposal/quotation submission forms

Depending on the nature of the procurement, the solicitation documents may include a standard template, which the bidders will be required to complete while submitting their technical and financial proposals.

The forms include an acknowledgement and undertaking by the bidder that they understand the terms and conditions of the RFQ/RFP and the SPC's general conditions of contract.

Each proposal submission form is divided in two parts: technical and financial. The technical proposal form includes background of the organisations, technical requirements of the procurement and performance standards and service levels guarantees required for the procurement. The financial proposal form includes a standard matrix of items and quantities against which the bidder is to propose a price for.

The currency in which the financial proposal is required and any requirement related to tax/duties needs to be stated clearly on the form. Where possible, the financial proposals will be in SPC's official operating currency, the euro (EUR).

8.3.4 SPC general conditions of contract

SPC's general conditions of contract must be attached to the solicitation documents. The bidder must confirm on the submission form that the SPC general conditions of contract are acceptable and will form part of the contract, if a contract is offered.

8.3.5 Letter of invitation

A letter of invitation solicits offers in a request for proposal. The letter of invitation includes the following:

- reference to the specific quotation or proposal
- a list of supporting documents issued, including the statement of needs
- the date and place of submission and bid or proposal opening
- closing deadline
- general conditions of contract.

8.4 Records of the evaluation

Every evaluation will generate a record. The record might be an analysis against an evaluation matrix, or a detailed report by the Procurement Committee. These records must be kept and provided to PGRAS. They may be kept by being uploaded to any SPC electronic approval process.

8.5 Communications with participants

Details need to be kept of any communications between SPC and any bidders. This assists with the transparency of the procurement process. While SPC prefers written communication in a procurement process, at any point where there is phone call or other conversation, SPC will keep a file note of the exchange.

9. PROCUREMENT PROCESS

SPC recognises that procurement processes themselves have a cost, in terms of staff time and other resources, and the complexity of the process should be proportionate to the procurement value and its risk.

All procurement follows the same main steps:

- planning
- statement of needs
- requisition
- solicitation
- evaluation
- award
- receipt
- payment.

However, different procedures apply depending on the value of the goods, services and works to be procured. The higher the value, the more stringent the procedure becomes. The requirements for different procurement thresholds with regards to advertising, solicitation period, evaluation and approval authority are detailed below.

9.1 Procurement planning

Procurement planning should start well before the decision to purchase a good, service or work. Proper planning provides an opportunity to:

- fully identify and assess needs;

- consider the best method for procurement;
- identify possible vendors;
- determine the best timing;
- assess and mitigate risks;
- manage the procurement process; and
- identify opportunities for consolidation of purchases and therefore negotiate better services or terms and conditions.

It also allows PGRAS to plan so that it can provide appropriate support for large and complex procurement processes.

Each SPC division and programme will prepare and submit to PGRAS an annual procurement plan, before 31 January every year. All procurement activities valued at greater than EUR 2000 should be included in the procurement plan.

PGRAS will prepare an annual SPC consolidated corporate procurement plan, containing the divisional inputs. PGRAS will identify the major procurement activities for the year and will post, on the SPC website, a procurement forecast notice providing brief details of the upcoming major procurement activities and the likely date of advertisement for tenders.

9.2 Statement of needs

The most critical step in the procurement process is clearly identifying what goods, services or works need to be procured. The statement of needs will give prospective suppliers or service providers a clear, accurate and full description of SPC's needs.

Once the procurement process has commenced (i.e. bids have been solicited) the statement of needs (a specification of goods, terms of reference or scope of works) must not be changed.

9.2.1 Specification of goods

Depending on the purchase, the following information should be included in the specification of goods:

- Functional specification – this focuses on what a product is to do, and what the end use will need.
- Design specification – this defines the exact details of the goods (measurements, drawings, colours).
- Technical specification – this describes the characteristics of goods or services to be procured, or their related operating methods. It may include or deal exclusively with terminology, symbols, packaging, marking or labelling requirements, as they apply to a good or service (e.g. engine capacity, front wheel drive, materials used).

9.2.2 Terms of reference or scope of services – for consultancy and professional services

For a consultancy or for professional services, either terms of reference or a scope of services should be developed, which define the work required to be carried out.

9.2.3 Scope of works for construction and infrastructure works

A scope of works describes the work to be carried out or the services to be provided in line with structural and technical designs. It should describe tasks and direct methodologies to be used, and

stipulate the period of performance. It should contain only qualitative and quantitative design and performance requirements. Scopes of works need to be read and interpreted by persons of varied backgrounds, including contractors, engineers, architects, suppliers and site managers. They must be clear, accurate and complete.

9.3 Requisition

The procuring section authorises the requisition of the item using the statement of needs. Approving the requisition confirms that the procurement activity is being undertaken in line with SPC's approved work plans, and that there are funds available on the relevant budget.

9.4 Solicitation

Solicitation involves making potential suppliers aware that SPC intends to purchase certain goods, services or works, and inviting them to submit quotes or proposals. The solicitation process uses the statement of needs contained in the requisition. Depending on the value of the procurement, either the procuring section or PGRAS will lead the solicitation process.

If, at any phase of the procurement process, changes are required to the specifications or to the evaluation criteria in the solicitation documentation, the procurement process will need to be undertaken again under the new conditions.

9.5 Evaluation

Once a solicitation process is completed, and the quotation/proposal deadline has lapsed, the evaluation of the quotations or proposals received is conducted. Regardless of how effectively each phase of the procurement process is executed, if the offers, quotations, bids or proposals are not evaluated in a fair and transparent manner the overall process fails. The purpose of evaluation is to ensure that procurement is awarded to the most qualified and responsive offer affording the best value for money. The evaluation process will be undertaken in a fair and transparent manner to ensure equal treatment of all bidders at all phases of the process.

Anyone undertaking an evaluation is obliged to uphold the highest ethical standards of this policy.

9.5.1 Evaluation criteria

The quotes/proposals will be assessed against the evaluation criteria matrix that formed part of the instructions to bidders.

The matrix criteria must include the key competencies and minimum qualifications stated in the statement of needs. These competencies will be provided with weighted scores according to the relative importance of each. Minimum qualifications could include educational qualification, professional accreditation or certification requirements, licensing, experience and expertise.

The evaluation criteria set out in the solicitation documents cannot be changed at any stage of the procurement process and will be used by the evaluation committee to ensure a fair, consistent and transparent evaluation of proposals for all bidders. Any changes in the evaluation criteria will require the RFP process to be re-issued.

9.6 Procurement award

SPC may award the contract once it is determined that:

- a bidder has met the prescribed requirements; and
- the bidder's proposal has been determined to be substantially responsive to the solicitation documents, provide the best value for money (highest cumulative score) and best serve the interest of SPC.

Depending on the value or nature of the procurement, the award can be made by issuing a PO or a signed and dated contract, or both. The PO or contract must be signed by an authorised delegate.

9.7 Procurement protests

Bidders that consider they were not treated fairly during a procurement process may lodge a protest. The protest should be addressed to the Director Finance or the Deputy Director-General Noumea. The bidder must provide the following information:

- full contact details
- details of the relevant procurement
- reasons for the protest, including how the alleged behaviour negatively impacted the bidder
- copies of any documents supporting grounds for protest
- the relief that is sought.

Where the complaint involves allegations of fraud or corruption by an SPC officer, SPC will invoke the procedures in its *Managing Fraud and Corruption Policy*.

SPC will investigate the complaint. If the complaint has merit SPC will consider the appropriate grounds for relief. Depending on the allegations and the level of harm, options for relief may include establishing a new Procurement Committee to re-evaluate the bids, recommencing the procurement, or allowing additional time for information for submissions; or in extreme circumstances, awarding damages. SPC will endeavour to respond, at first instance, to a procurement protest within ten (10) working days.

9.8 Receiver function

The procuring section is responsible for confirming receipt of the services or goods. If the goods, services or works being procured are being delivered to another country or partner agency, the receiver function can be performed by the counterpart in that agency. SPC requires signed documentation confirming receipt before processing payment.

10. PROCUREMENT THRESHOLDS AND IMPACT ON PROCESS

Different processes will apply, depending on the value of the procurement.

It is prohibited to split contract values across multiple contracts, or between multiple vendors, so as to avoid a procurement threshold or competitive process.

Where possible, SPC should combine requirements to obtain quantity discounts and other administrative efficiencies. Further, if it is anticipated that the contracted services or supplies will be needed for more than one phase of a project, the initial contract should cover all phases of the project.

10.1 Petty cash – $x \leq \text{EUR } 50$

Procurement valued at less than or equal to EUR 50 can be undertaken using petty cash. Advance cash for authorised expenses may be taken, or reimbursement can be claimed using receipts for expenditure incurred.

Petty cash is maintained by finance, as well as divisions, programmes and project offices.

10.2 Shopping – EUR 50<x≤EUR 2000

Procurement valued at more than EUR 50, but less than or equal to EUR 2000, requires at least one quotation.

No competitive process is required, but wherever possible comparable quotes may be obtained to confirm that the offer provides the best value for money. Quotations can be solicited directly from the vendors by the procuring section.

The quote will be evaluated by the procuring section and the vendor approved by an authorised delegated. The quote must conform to the technical requirements of the procurement.

PGRAS will conduct post-facto random checks to ensure that these procurement activities provide SPC with the best value for money available in the market.

If the items or services being procured are required on a repetitive basis and the cumulative value of the contract exceeds EUR 45,000 in a calendar year, PGRAS will advise the procuring section to use either an RFQ or RFP for future purchases.

10.3 Request for quotation (RFQ) – EUR 2000<x≤EUR 45,000

Procurement valued at more than EUR 2000 and less than or equal to EUR 45,000 requires an evaluation of at least three quotations to determine the offer that provides the best value for money. The procuring section can source quotations from vendors. If the items or services being procured are required on a repetitive basis and the cumulative value of the contract exceeds EUR 45,000 in the calendar year, the procuring section should conduct an advertised RFP process for procurement, or a process for the appointment of a preferred supplier or service provider.

The RFQ documentation or technical specification will be provided in writing to the prospective vendors to provide quotation. The same set of specification requirements, submission and other solicitation requirements will be provided to all vendors from whom quotations or proposals are requested. All forms of communication with the prospective vendor will be retained as the source documents for the procurement.

Depending on the market for the product or services being procured, procurement below this threshold can also be advertised.

The procuring section will evaluate the quotes using the evaluation matrix template, to compare all quotations and proposals received. PGRAS can assist to ensure the appropriate process is followed and that all the relevant documentation is properly filled in and submitted. The vendor will be approved by an authorised delegate, at which point PGRAS can release the purchase order and prepare the contract, as necessary.

In cases where a procurement valued at less than or equal to EUR 45,000 is advertised through an RFP (e.g. to broaden the source of suppliers) the evaluation process will follow the evaluation process for an RFQ.

10.4 Request for proposal (RFP) – EUR 45,000<x

Procurement valued at more than EUR 45,000 will require a local or international RFP (or tender) and will be evaluated by SPC's Procurement Committee. PGRAS will coordinate the process to ensure compliance with the process (and will complete the required RFP checklist).

10.4.1 Solicitation

10.4.1.1 Advertising

An RFP must be advertised for at least four weeks. The letter of invitation will be posted on the SPC website, and it will be advertised on at least one technical website and in one appropriate newspaper. The procurement is to be advertised as widely as possible to allow for as many bidders to participate as possible. The advertising process should allow all prospective bidders a fair opportunity to submit their quotations or proposals.

No RFP documents will be sent directly to any prospective bidders, unless they have been shortlisted through an expression of interest. SPC officers may alert potential bidders to the fact that the RFP has been advertised.

10.4.1.2 Communication with bidders or potential bidders

Once an RFP is advertised all requests for clarification about the content of the RFP from a potential bidder must be made through PGRAS. Contact details will be included in the RFP. This is to ensure that no bidder is given preferential treatment.

All communication sent out in response to a query will be copied to all bidders that have already submitted their bids.

10.4.1.3 Two envelope process

The RFP will normally require a two envelope procedure, in which the technical and financial proposals are submitted in two separate sealed envelopes or as separate electronic submissions.

The two envelope procedure will only be waived if it is seen to be in the interests of SPC to do so, or under circumstances where it is impracticable to administer this process. The Deputy Director-General Noumea needs to approve this waiver before advertising the RFP.

10.4.1.4 Closing date

All bids must be received before the closing date specified in the RFP documents.

In exceptional circumstances, specifically where the bidder had submitted the proposal before the deadline and it was not received in time by PGRAS, the Bid Opening Committee or PGRAS can make a decision based on the circumstances and justifications provided by the bidder in relation to whether to accept it as a valid proposal.

10.4.1.5 Extension

SPC may extend the deadline for submission. The notice for extension will be posted on the SPC website at least seven (7) days prior to the expiry of the initial deadline. PGRAS will notify bidders that have already submitted a proposal and provide them with an opportunity to re-submit before the new deadline.

If, at the deadline, no submissions have been received, the Bids Opening Committee, in consultation with the procuring section, may decide to re-advertise it. The re-advertisement period will be at least two (2) weeks.

10.4.2 Evaluation

SPC's Procurement Committee will undertake an RFP evaluation.

10.4.2.1 Opening the bids

The bids will be opened by at least three members of the Procurement Committee ('Opening Bid Committee'). Normally, the three members will include a representative from PGRAS and a representative of the procuring section.

All sealed bids and electronic bids are to be opened and recorded. The Opening Bid Committee will then review all bids to assess that they are responsive to the basic requirements of the RFP. A proposal is responsive if it meets the basic criteria after a preliminary examination. The Opening Bid Committee will check:

- the date the bids were received;
- that the envelope process was followed; and
- that general criteria specified in the RFP documents were followed.

If a tender or proposal infringes the formal requirements of the policy the Opening Bid Committee may use its discretion to decide whether the bid will be considered in more detail. In instances where the Opening Bid Committee excludes bids from further consideration, the other members of the Procurement Committee will be informed that bids were excluded and they will be given an opportunity to comment. Reasons for excluding any bids must be given in full in the evaluation report.

10.4.2.2 Requests for clarification

Any request for clarification requiring communication with the bidders or applicants during the evaluation process must be conducted in writing by PGRAS. Copies of any such communication must be annexed to the evaluation report.

10.4.2.3 Technical evaluation

As a first step, the Procurement Committee will undertake the technical evaluation.

For highly specialised and technical evaluations the Procurement Committee may establish a Technical Sub-committee, and delegate to it part or all of the technical evaluation. Members of the Technical sub-committee will be proposed by the procuring section and approved by the Director Finance.

The Procurement Committee must thoroughly evaluate bids against the technical evaluation criteria set out in the RFP. In the interests of ensuring best value for money, emphasis will be placed on quality.

As part of the technical evaluation, the Procurement Committee may conduct background or reference checks, as well as any other checks, to confirm the authenticity of the information provided. The committee may decide on the extent and necessity of the background checks, depending on the associated risk and budget of the procurement activity.

10.4.2.4 Financial evaluation

The financial proposal from a bid will only be evaluated if the technical proposal is responsive and qualified (i.e. it achieves the required threshold during the technical evaluation). Financial proposals can only be opened once the technical evaluation is complete.

The financial evaluation process compares bids to the financial criteria defined in the solicitation documents. The Procurement Committee will rank the financial proposals. The maximum number of points is allocated to the lowest-priced proposal. All other financial proposals receive proportional scores based on how they compare with the lowest-priced proposal. These scores are calculated according to the formula below:

$$\frac{[\text{Total financial component score}] \times [\text{Lowest price}]}{[\text{Price under consideration}]} = \text{Score for financial proposal}$$

10.4.2.5 Cumulative evaluation

The proposal with the overall highest score after adding the score of the technical proposal and the score from the financial proposal is the bid that offers the best value for money.

10.4.2.6 Evaluation report

The Procurement Committee must prepare an evaluation report for all RFP evaluations.

The evaluation report must be signed by all Procurement Committee members, and it must include the following:

- summary of the evaluation process
- the technical evaluation
- the financial evaluation
- recommendation of the best offer
- any background, reference or other checks
- details of any clarifications requested
- recommendation for any negotiations to be undertaken
- proper documentation and authorisations for any instances of deviation from the normal evaluation process or procurement process.

10.4.3 Negotiations

Negotiations are discussions with a potential supplier after selection of the supplier, but before the award of the contract. Negotiations may be carried out with the selected supplier regarding payment terms and delivery. Negotiations should result in a clear understanding of responsibilities under the contract and better value for money than provided for in the recommended proposal.

10.4.4 Award of contract

The Procurement Committee's evaluation report will be submitted to the Director Finance for approval. This approval authorises SPC to enter into negotiations with the successful bidder and award the contract.

Once the contract is signed SPC will publish the name of the successful contractor on its website. Unsuccessful bidders will be notified, and feedback will be offered on their bid if they request it.

10.5 High-value RFP – x<EUR 200,000, or highly complex, or unavailable in local market

A high-value RFP will need to be undertaken for very high-value procurements (more than EUR 200,000), and for complex procurements, or for procurement of requirements not readily available in the local market. Construction works and real estate procurement may be carried out through local procurement regardless of the value (see the *Capital Projects Policy*).

The majority of the processes for a high-value RFP are the same as for an RFP, except for some additional requirements, as set out below.

10.5.1 Risk management

A risk assessment must be undertaken before the start of the procurement activity for all high-value or complex procurements. The risk assessment is to be undertaken by the project manager, in collaboration with PGRAS, and must evaluate the consequences of SPC failing to perform the procurement effectively or in a timely manner. It should include a risk analysis, assessment and options for mitigation. The risk assessment must be done in line with SPC's *Risk Management Policy*.

10.5.2 Solicitation

A high-value RFP must be advertised for at least six (6) weeks.

10.5.3 Contract terms

A performance security bond will be required for all high-value contracts.

11. Expressions of interest

An expression of interest (EOI) is a solicitation process that allows SPC to develop a list of potential bidders for goods, services or works that could be either:

- included on a shortlist roster; or
- considered for a future detailed RFP process.

An EOI process does not normally lead to negotiation of a contract.

The technical evaluation of EOIs will be done by the procuring section, with a report submitted to the Procurement Committee for approval.

SPC's acceptance of an expression interest by a prospective vendor does not constitute any form of commitment or legal obligation for involvement by bidders in future RFP or contracting processes.

The appointment of prospective vendors to a roster will only be undertaken through an EOI or RFP competitive process approved by SPC's Procurement Committee.

A roster will be valid for three years, after which the procurement must be re-advertised. However, procuring sections should annually review their rosters to ensure that the proposals and quotations submitted by the prospective vendors are still valid.

Using an approved roster waives the requirement of a public solicitation process. However, before contracting a prospective vendor from a roster, SPC must send a detailed statement of needs to the

prospective vendors seeking a proposal or quote. The evaluation of the proposals will occur in line with SPC's normal procurement practices, according to the value of the contract.

12. Preferred supplier agreements

SPC uses preferred supplier agreements (PSA) to capitalise on volume procurement, by leveraging its purchasing power for low-value but high-volume procurement.

A PSA is a contractual agreement for the provision of goods, services or works (as and when required), under a schedule of rates or on a quotation basis.

A PSA can be established with one or more suppliers to provide an undefined volume of goods, services or works to SPC in accordance with contract conditions that may or may not include price. Typical examples include travel and ICT equipment, where the total procurement volume is large and recurring, while individual orders are relatively small. Preferred supplier agreements are managed by the procuring section.

The appointments of preferred suppliers are initially made through a public competitive procurement process, either through an RFQ, an RFP or a full international tender process based on the volume and amount of procurement. Once a PSA has been implemented, orders can be placed directly with the supplier(s) by the procuring sections, on terms stated in the PSA, without going through another competitive bidding process or needing to obtain comparative quotes from other suppliers.

A PSA will be initially for one year, and will only be renewed upon confirmation of satisfactory performance before the expiry of the contract. The PSA can then be renewed for another three (3) years, for an overall maximum of four (4) years. The procurement must then be re-advertised.

Regular supply audits and checks must be performed to assess the effectiveness of the supplier's quality assurance system, thus ensuring that preferred suppliers meet the requirements of the minimum service level agreements and standards agreed to. The review and checks will ensure effective tracking of supplier performance and provide critical information for negotiation of purchasing and service agreements.

Market changes related to goods or services being procured under PSAs should be monitored on a regular basis. If there are any significant changes in the market of the goods or services being procured, a new competitive bidding process should be undertaken to test the market to determine whether the preferred supplier provides the best value for money to SPC. The review will determine whether renegotiation and revalidation of the current PSA conditions should be undertaken with the existing supplier according to the new agreed market, or whether alternatively a new preferred supplier should be contracted through a competitive process.

13. Crisis response procedures (CRP)

The crisis response procedures are intended to improve the speed and efficiency of SPC's response to the recovery needs of countries affected by crisis for a defined period of time.

They provide increased operational flexibility to carry out procurement activities in the shortest period of time possible, without compromising accountability. However, they only apply to procurement activity directly related to the crisis response.

13.1 Activation of CRP

13.1.1 Declaration

The Director-General will activate the CRP through a written declaration. The declaration will include:

- confirmation of specific projects or programmes that may use the CRP;
- any geographical limitations;
- any restrictions on functional areas for the project; and
- the time limit of the declaration.

All other programmes and projects will continue to apply standard policies and procedures.

These procedures will apply for the duration of the emergency or crisis period, within any restrictions imposed by the Director-General's declaration. The use of existing PSAs and shortlisted rosters is encouraged during the period.

13.1.2 Duration of emergency or crisis period

The CRP declaration must have an activation date and an expiry date. The initial declaration can be for a period of no more than ninety (90) days. The declaration must be reviewed at least seven (7) days before it expires to determine whether the emergency or crisis period still impacts normal procurement activity, and whether there are any projects originally included in the declaration that should be excluded.

The declaration can again be renewed for a further period of no more than ninety (90) days. If the declaration is not renewed it lapses.

CRP declarations are to be used for extreme unanticipated circumstances, and are not to be used as a way to circumvent normal procurement processes or planning.

A procurement plan detailing the expected procurement activities will be forwarded to PGRAS following the declaration.

13.2 Crisis response procedures (CRP)

The CRP make the following changes to the procurement thresholds.

13.2.1 Crisis response shopping – EUR 2000 < x ≤ EUR 10,000

When the CRP are applied the procuring section may use the procurement 'shopping' process up to a threshold of EUR 10,000, providing that:

- the goods, services or works being procured are needed to respond directly to the emergency set out in the declaration; and
- there is evidence and justification for why three quotes cannot be obtained within the required time.

Poor planning is not a justification for not obtaining three quotes. Appropriate reasons may include evidence that appropriate suppliers are affected by the crisis.

13.2.2 Crisis response shopping – EUR 10,000 <x ≤EUR 45,000

When the CRP are applied the procuring section may use the procurement ‘shopping’ process up to a threshold of EUR 45,000, provided that:

- the good, services or works are:
 - critical and urgently required items (such as medication, relief food supplies, preventive health, hygiene and safety items, water purification systems and tablets); or
 - immediate rehabilitation equipment (such as chain saw, water pump and generator) or
 - needed for immediate crop and animal health rehabilitation requirements;
- there is evidence and justification for why three quotes cannot be obtained within the required time; and
- there is evidence and justification for the urgency of the need.

It is expected that this procedure will only be used within the immediate aftermath of the crisis declaration (30 days) as part of the immediate disaster response.

Poor planning is not a justification for not obtaining three quotes. Appropriate reasons for not obtaining three quotes may include evidence that appropriate suppliers are affected by the crisis.

13.2.3 Crisis response RFP – x<EUR 45,000

When the CRP are applied the procuring section may use the following modified RFP procedures where the goods, services or works being procured are needed to respond directly to the emergency set out in the declaration, and there is evidence that waiting for the normal advertising period may adversely impact SPC’s response to the emergency.

Advertising of the RFP will occur for a minimum of five (5) days for procurements over EUR 45,000, or for at least ten (10) days for procurements over EUR 200,000.

PGRAS may establish an ad hoc Procurement Committee to hear urgent requests for procurement activities. In these cases the committee may have less than seven (7) days to review the submission documents. Notwithstanding any urgency, the Procurement Committee still needs to satisfy itself that SPC is receiving value for money.

13.2.4 Monitoring, evaluation and reporting

Copies of all documentation relating to a CRP must be kept in a separate folder, with a copy of the declaration. At the end of the application of the emergency or crisis period the procuring section will submit a report to PGRAS on the use of the CRP. The report will capture the effectiveness of the CRP processes, lessons learned, suggestions for improvement and feedback from beneficiaries.

13.2.5 Accountability

The increased flexibility in the processes of the CRP does not eliminate the need for the usual due diligence, application of standards of accountability and principles of procurement that continue to apply across all actions.

14. CONSULTANCIES

A consultancy involves the engagement of an individual, organisation or firm to provide intellectual or knowledge-based services (e.g. expert analysis and advice) through delivery reports, studies, assessments, recommendations, proposals, etc. SPC uses consultants when the required expertise is not available among our staff, to address peak workloads, or when the engagement of a consultant is more efficient or effective than hiring staff on SPC terms and conditions of employment. Typically, consultancies involve a specific task to be completed within a specified timeframe at an agreed cost.

14.1. Terms of reference

Once the need for a consultancy has been established, the procuring section will draft terms of reference (TOR). The TOR is the key document used for planning and in the solicitation process for the selection of consultants.

An adequate and clear TOR is important for understanding the assignment and its correct execution. The TOR should clearly explain the following:

- the objectives of the assignment
- the scope of work
- the activities and tasks to be performed
- expected results and deliverables
- responsibilities of the consultant
- details of fees
- a schedule of payment.

A TOR must be prepared for all consultancies, as the TOR will form part of the contract for the consultancy, and will be the basis for any solicitation of bids.

14.2 Limits on engaging consultants

14.2.1 Conflicts of interest

In hiring any consultants it is critical that SPC avoid or manage any potential conflicts of interest.

SPC will not hire any consultants:

- with a family or business relationship with an SPC officer who is directly or indirectly involved in any part of the selection process, unless the conflict has been resolved or managed in line with the requirements of this policy; or
- who may have conflicting obligations to their previous or current clients, or obligations that may place them in a position of being unable to carry out the assignment in the best interests of SPC.

14.2.2 Former SPC staff

SPC will not hire a former or retired SPC staff member as a consultant within three months of their separation from SPC.

The only exception to this rule is where there is a need to maintain a staff member for a short period of time after project closure (for instance, due to donor requirements). In such a case, a consultancy

contract may be offered, providing it has been approved by Human Resources and the Director Finance.

The length of such a contract will not exceed six (6) months.

14.3 Hiring a consultant

Consultants will be hired through the open and competitive process that is set out in this policy. The same procurement thresholds and processes apply for consultancies as for all other forms of procurement.

It is important to be able to compare any consultancy fees as part of any competitive selection process. For RFPs all bidders will be requested to submit their financial proposals based on a lump sum or a daily fee approach (or both if appropriate).

14.4. Consultant contract terms

Procuring sections and consultants should be aware of the following specific requirements for consultants.

A consultant will not start work or travel until the signing of the contract by both parties.

SPC does not insure consultants for their travel or health, professional indemnity or any other risks or liabilities that may arise during the consultancy (this includes any subcontractors or associates the consultant may hire). SPC will also not be responsible for any arrangements or payments related to visas, tax or duties for which the consultant may be liable.

In exceptional circumstances SPC may provide assets or facilities, such as computer equipment, office or internet access to a contractor. In such cases, full cost recovery will apply and will need to be paid by either the procuring section or the contractor.

If SPC is required to arrange travel and pay per diems over and above the amount specified in the contract, this must be clearly stated on the contract. In such cases the *SPC Travel Policy* requirements will apply.

A minimum of thirty (30) per cent of the consultancy fee must be allocated to the final payment of the contract.

15. PAYMENT

All payments will be made in accordance with SPC's finance policies and procedures.

15.1 Advance payment

Generally, SPC will not enter into any contract or arrangement requiring an advance payment for goods or contractual services.

SPC may advance up to 20 per cent of the value of a service contract if the advance payment is required for:

- mobilisation costs linked to civil works;
- start-up costs; or
- design costs.

SPC may advance more than 20 per cent of the contract value only if it is a standard term and condition of the vendor before it will supply those goods, services or works, and if the advance:

- facilitates international procurement; or
- relates to a critical payment (such as a booking fee for a venue for a workshop).

In all circumstances, PGRAS must be consulted before any commitment is made to the vendor about any advance payment.

Depending on the nature of the goods, services or works, and the outcomes of an internal risk assessment, SPC may request a bank guarantee from the vendor where the request for an advance payment exceeds EUR 45,000.

15.2 Contracts payments

All payments for contracts will be based on delivery of set milestones. Each payment scheduled on the contract will be captured on a different line of the purchase order.

15.3 Payment terms

To receive payment in line with the payment schedule of the contract, the contractor must submit an invoice to SPC. The invoice should specify:

- the goods or services delivered (or milestone achieved);
- the date of delivery;
- the net cost; and
- any discount or charges, as appropriate.

SPC will pay undisputed amounts within thirty (30) days of receiving an invoice, and payment may not be deemed overdue until thirty (30) days have passed.

15.4 Final payment

The final payment will only be effected when all contractual obligations are met by the contractor. Determining when all contractual obligations are met will depend on the nature of the contract, as described below.

- For goods, the goods must have been received and accepted by SPC.
- For services, the services must have been received and SPC must accept the quality of those deliverables.
- For works, the final payment will only be made upon satisfactory completion of the defects liability period, which will be not less than six (6) months from the date of completion of works. A retention amount of between two (2) and five (5) per cent of the contract must be retained until the end of the defects liability period.

15.5 Direct payments

A direct payment is a payment made when no purchase order has been issued.

A direct payment can be used for the following categories of services:

- utilities payment

- customs fees and duty charges relating to consignments
- subscription charges
- renewal of business or software licence
- fees to educational institute for professional development
- credit card payment to banks
- internal transfer of funds within or between divisions
- travel advance
- payment of insurance premium
- legal fees
- advertising of procurement and recruitment notices.

A direct payment can be used in circumstances where:

- the cost of the services being delivered cannot be ascertained before the delivery of services; and
- it is demonstrated that either it is not in SPC's interests or it is impracticable to issue a purchase order before the services or goods are delivered.

PGRAS may approve other limited categories for direct payments. All requests for processing of direct payments must be submitted through PRGAS, and payment must be made in line with SPC's financial policies and procedures.

15.6 Credit card payments

Corporate credit cards may be used for payment of goods or services procured in situations where they provide better value for money than through using standard payment methods, such as cheques or bank transfers.

The requirements of procurement processes to determine best value for money applies. The requesting staff will be required to fulfil the competitive requirements, carry out appropriate evaluations before carrying out the transaction, and seek the approval of an approved delegate. Please refer to *SPC Credit Card Policy*.

16. EXCEPTIONS

SPC may deviate from the procurement processes set out in this policy in the following limited circumstances.

16.1 Non-competitive procurement (NCP)

Non-competitive procurement (NCP) (procurement without competition) will only be used by SPC in exceptional circumstances and when it can be determined and justified that competitive procurement is neither practical for a given procurement nor in SPC's best interests.

All requests for non-competitive procurement must be made through PGRAS. The request for an NCP must include a technical assessment confirming that the technical specification of goods or services on sole quotation or proposal is in line with SPC's requirements. PGRAS will review the request before submitting it to the Deputy Director-General Noumea for approval.

PGRAS will maintain a register of all NCPs, which will be reported to the Audit and Risk Committee.

NCPs will only be approved under the following limited circumstances.

16.1.1 Sole supplier

An NCP may be approved where a required product or service is available from only one source. For example, the goods or services may be so specialised or unique, or of such a proprietary nature, that there is only one supplier. This must be justified adequately and it must be clearly demonstrated that the recommended vendor is the only supplier in the market. The best way to demonstrate that there is only one vendor is through reference to a prior competitive process undertaken for the goods or services.

For situations where the product or services required are patented, or copyright issues exist, relevant documentation and information about the patent or copyright should be submitted.

16.1.2 Emergency or crisis situation

An NCP may be approved in circumstances set out in the Crisis Response Procedures, above.

16.1.3 Exceptionally specialised need

An NCP may be approved in exceptional situations, where it is clearly demonstrated that it is in SPC's interests due to the highly specialised (technical or scientific) nature of the procurement requirements to waive the competitive requirement of the procurement process.

This exceptionally specialised need may also include procurement of services that cannot be objectively evaluated and where it is determined that formal solicitation will not furnish satisfactory results.

16.1.4 Standardisation and compatibility

An NCP may be approved for the procurement of equipment or spare parts that need to be compatible with existing equipment. Additional purchase from the original supplier may be approved, provided that the initial procurement was undertaken through an open competitive process.

16.2 Contracting without competition (direct contracting)

SPC may also contract without competition in the following circumstances.

- As a result of a competitive RFQ or RFP process, only one proposal is received. In this case, the procurement is not an NCP. Proof is required to demonstrate that at least three vendors were solicited. A technical evaluation of the proposal will still be carried out, and the financial proposal will be reviewed against the market rate for similar works to ascertain that best value is being achieved before direct contracting.
- The vendor has been previously appointed through an open competitive process, and:
 - the specifications for the deliverables required is similar to the previous contract deliverables;
 - an initial open competitive process was carried out within one year prior to the new requirement;
 - the rate at which the cost of the goods or service is determined is the same as in the initial contract, and this rate is still competitive in the current market; and
 - the contractor's delivery under the first contract was satisfactory.
- The vendor has a preferred supplier agreement with SPC.

16.3 Project dealing with informal sectors

From time to time SPC may implement projects while working with implementing partners from informal sectors. The informal sector implementing partners, grant recipient or enterprises may not have the capacity to fulfil the procurement requirements of this policy. Nonetheless, donors may require SPC to develop the operational and technical capacity of such partners.

Where SPC is working with an informal sector, the appropriate procurement process to enable effective implementation should be identified as early as practicable, and be made known to the donor for its endorsement.

If the donor endorses the proposal PGRAS will prepare a submission for the Deputy Director-General Noumea's approval, setting out:

- the reasons why SPC's *Procurement Policy* would not allow effective implementation of the project;
- the endorsement or no objections from the donor for the proposed process being used; and
- risks, consequences of the risks materialising, and any risk mitigation actions.

The Deputy Director-General Noumea must approve the proposal before procurement action commences.

16.4 SPC Canteen

SPC's Canteen, at Headquarters, is a self-funding and self-managed commercial operation within SPC. Due to the commercial environment the canteen operates in, for some procurement actions (such as procurement of stock for resale and pre-ordered items by staff) it may not be possible or desirable to comply with the competitive requirements of this policy.

This *Procurement Policy* does not apply to the purchase of any goods or services for resale by the Canteen.

16.5 Special donor requirements

SPC acknowledges that some procurement and supply management activities may be subject to specific donor requirements, based on special project needs.

If these requirements are approved by the donor, and the approval is noted in the contribution or financing agreement, the project document, or a document agreed and signed to by SPC and the donor, the donor requirements will take precedence over any part of this policy.

Examples where this may apply include where the donor names a specific contractor on the project document or where the donor requires SPC to use the donor's procurement policies and procedures.

In such cases, PGRAS will exercise necessary due diligence to ensure that the basic international principles of procurement and financial accountability are not compromised.

17. CONTRACT MANAGEMENT

Good contract management ensures both parties to a contract fully meet their respective obligations as efficiently and effectively as possible. Professional contract management maximises benefits for SPC and minimises associated risks.

Once a PO is issued, or a contract is signed, PGRAS and the procuring section must ensure that all parties to the legally binding agreement fully meet their respective obligations as efficiently and effectively as possible. The procuring section will monitor and manage the implementation of the terms and conditions of the contract and the achievement of commitments and milestones throughout the life of the contract.

All documentation relating to the contract must be provided to PGRAS for filing.

17.1 Types of contracts

There are a variety of contract types that SPC uses, so that a contractor assumes either more or less responsibility. The selection of an appropriate contract type depends on the nature of the goods, services or works to be procured, the uncertainties that may be involved in contract performance, and the extent to which SPC or the contractor is to assume the risk or the cost of performance of the contract.

A contract must be signed and dated by both parties (each holding the necessary authority to bind) before it is effective.

PGRAS can provide advice on the most appropriate contract. Examples of types of contracts include:

- contract for professional services
- consultancy contract – outputs based or time based
- contract for works
- contract for supply
- preferred supplier agreement
- lease and rental agreement
- intellectual property agreement
- grant agreement
- sub-delegation agreement.

17.2 Contract amendment

If there is a need to change the material aspect of the contract, then there must be a contract amendment. Examples include where the contract will be extended or there is a modification of the goods, services or works to be delivered.

A request for amendment of contract is to be made by the procuring section through PGRAS. The request for amendment must be submitted, together with the original contract and a memo identifying the clauses that need to be amended, the proposed amended clauses, and justifications for the amendment.

Any amendment that results in an increase in the total amount of the contract of more than 20 per cent will be reviewed by the Procurement Committee.

A contract may only be amended (or extended) within one month of its expiry.

If the cost of the contract is to be amended SPC must be sure that the revised contract still provides the best value for money compared to other bidders involved in the procurement process.

It is prohibited to use a contract amendment to avoid a competitive process.

If the total value of all amendments to the contract (including the initial contract) exceeds the threshold for the initial contract the requirements for the new threshold apply. This may mean that an RFP needs to be conducted.

If the terms of reference or deliverables/outputs are amended a new competitive process must be undertaken.

17.3 Breach of contract

If a vendor breaches a contract, SPC will take appropriate remedial action.

17.4 Post-facto and retroactive contracts

A post-facto situation arises when a contract or purchase order has not yet been issued by SPC, but the services have been rendered or the goods purchased and received. A retroactive case occurs when no contract or purchase order has been issued, but the supplier has begun providing services or the goods have been ordered but not yet delivered.

SPC maintains a zero tolerance approach to the processing of post-facto and retroactive contracts.

Where a post-fact or retroactive situation has occurred the Deputy Director-General Noumea must be informed. The procuring section must provide an explanation of the circumstances leading to the post-factor or retroactive situation, including how it occurred, any emergency or unusual circumstances, reasons why the process resulted in a post-fact or retroactive situation, and what mechanisms have been put into place to ensure similar situations are prevented in the future.

The Deputy Director-General Noumea may approve payments on such a contract.

17.5 Performance security

All contracts of EUR 200,000 or above require a performance security in an amount sufficient to protect SPC in the case of breach of contract by the contractor.

The amount of the security may vary, depending on the nature and magnitude of the goods, services or works. The recommended performance security is ten (10) per cent of the total contract amount.

The performance security may be retained beyond the date of completion or receipt to cover defects or maintenance up to final acceptance by SPC. In addition to the provision of a guarantee to protect against non-performance of a contract, such security may also cover warranty obligations, and any installation or commissioning requirements.

A performance security will be in the currency of the contract, and will be in one of the following forms:

- bank guarantee or irrevocable letter of credit, issued by a reputable bank;
- cashier's cheque or certified cheque;
- performance bond; or
- percentage of total payment held as retention money until final acceptance.

The performance security will be returned within thirty (30) days of completion of the contract, including any warranty obligations.

17.6 Liquidated damages

Where time is of the essence, SPC will include a provision for liquidated damages (one [1] per cent of total contract amount per week) when delays result in extra cost, or loss of revenue, or loss of other benefits for the project or SPC.

The provision for liquidated damages provides a claim of right to remedies, deducting a fixed percentage for each day or week of delay as compensation for losses sustained in the case of non- or late performance. Once a total deduction of ten (10) per cent has been reached SPC may consider terminating the contract.

17.7 Contract closure

Contract closure is an administrative procedure, where the purchase order in the system is closed after the final payment is effected. All documentation relating to the contract are consolidated and filed, and both parties (contractor and SPC) certify that they have fulfilled their contractual obligations with no outstanding, unexecuted tasks.

For large purchases it is good practice to conduct a vendor performance evaluation at the closure of the contract. An evaluation or feedback on the vendor's performance will be forwarded to PGRAS for reference for future procurement.

18. VENDOR MANAGEMENT

SPC has a large vendor database that needs to be controlled so as to minimise risks when dealing with external vendors. A well-managed database will prevent SPC dealing with vendors that are irresponsible, fraudulent or unaccountable in business dealings.

18.1 Definition of a vendor

A vendor is either an external person or an entity entered in the SPC financial management system. SPC may only issue a PO or contract to a vendor found to be responsible or conditionally responsible. Finding a vendor responsible is part of the procurement process.

Vendors who have been inactive for two years in SPC's financial system will be de-activated in the system. To re-use de-activated vendors the procuring section will need to request re-activation.

18.2 Vendor entry

SPC adopts a risk approach to its vendor entry. The level of scrutiny required for a vendor will depend on the type of vendor relationship and the level of risk to SPC. A significantly higher level of scrutiny is required for a vendor signing a contract resulting from an RFP than for a vendor engaged in low-volume, low-value level shopping activities, or for a vendor that may be expected to have a one-off and low-value relationship with SPC (for example, a tuna tagging payment).

Vendors signing a contact with SPC will be expected to declare that they have no conflicts of interest in entering the agreement with SPC.

The procuring section will send a request to PGRAS for a vendor to be added to SPC's financial management system. PGRAS will consider the request and advise whether there has been sufficient

scrutiny of the vendor, or whether there are any known reasons that the vendor should not be added. PGRAS may:

- undertake reference checks;
- request any additional information; and
- confirm the vendor is not 'blacklisted' or banned by Council of Regional Organisations in the Pacific (CROP) agencies or any other agency.

18.3 Updating vendor information

Vendor information can be updated by the procuring section by advising PGRAS.

18.4 Communicating with vendors

SPC staff will communicate with vendors or potential vendors in a professional, transparent and fair manner, and in compliance with this policy.

18.5 Monitoring vendor performance

SPC will monitor and report on the performance of its vendors. Good monitoring of contract performance anticipates and facilitates correction before SPC's relationship with the vendor is affected, and before value for money is compromised.

Procuring sections will provide feedback on the vendor's performance to PGRAS, and PGRAS will share this information with other potential procuring sections.

SPC will carry out service audits for appointed preferred service providers.

18.6 Listing of non-responsible vendors

A non-responsible vendor is a vendor that has been involved in irresponsible, fraudulent and unaccountable business dealings. Any vendor listed as non-responsible is ineligible to supply goods, services or works to SPC.

A vendor will be declared as non-responsible if it is found to have:

- committed fraud and collusion in conjunction with SPC procurement tenders;
- submitted false invoices or quotations, false vendor information, or inflated prices;
- provided improper benefits to SPC staff;
- failed to maintain documentation to support fees charged for its subcontractors; or
- failed to declare possible conflicts of interest.

Before SPC lists a vendor as non-responsible it will give the vendor an opportunity to respond to any allegations, and to present reasons why it should not be listed.

Once listed as non-responsible, vendors may request SPC review their listing if significant facts have changed the relevant circumstances. For example, if a vendor was deemed non-responsible because an executive had been involved in corrupt activities, SPC may be satisfied that the vendor is once again responsible if that executive has been removed and appropriate protections have been put in place.

The non-responsible vendor list is maintained by PGRAS. It will not be made public.

19. ANNEXES

Annex I: Procurement levels and authority matrix

The procurement levels mentioned in this table are for individual procurements or aggregate of like items purchased from the same vendor within one accounting year.

The Approval column does not purport to reflect any other limits or restrictions on approvals that may be imposed by the Instrument of Delegations.

Level of procurement	Quotes/proposals	Source of advertisement	Advert duration	Evaluation	Approval
Petty cash X ≤ EUR 50	-	-	-	Ad hoc	Section Heads (or other authorised delegate)
Shopping X < EUR 2000	One quote required	RFQ sent directly to vendors		Quotes reviewed against requirements	Section Heads (or other authorised delegate)
RFQ EUR 2000 < X ≤ EUR 45,000	Three responsive and comparable quotations required	RFQ sent directly to vendors, or can be advertised		Evaluation using SPC matrix	Divisional Directors, or Deputy Directors (or other authorised delegate)
	Non-competitive procurement	-		Evaluation using SPC matrix	DDG Noumea
RFP EUR 45,000 < X ≤ EUR 200,000	At least three responsive and qualified proposals required	Posted on SPC website, one other technical website, and one newspaper	At least four weeks	Procurement Committee evaluation	Director Finance authorises negotiations with preferred vendor on Procurement Committee's recommendation Contract signed by DDG (or other authorised delegate)
	Non-competitive Procurement (NCP)	Procurement Office review and register on the NCP register		NCP request reviewed by Procurement Committee	DDG Noumea on Procurement Committee's recommendation
RFP (high value) EUR 200,000 < X	At least three responsive and qualified proposals required	Posted on SPC website, one other technical website, and one newspaper	At least six weeks	Procurement Committee evaluation	Procurement Committee report approved Director Finance Contract signed by DDG (under EUR 400,000) or by DG over that amount
	Non-competitive Procurement			NCP request reviewed by Procurement Committee	Approval required from DDG Noumea Contract signed by authorised delegate

Annex II

Annex II: Crisis response procedures – procurement levels and authority matrix

The procurement levels mentioned in this table are for individual procurements or aggregate of like items purchased from the same vendor within one accounting year.

The Approval column does not purport to reflect any other limits or restrictions on approvals that may be imposed by the Instrument of Delegations.

Method of procurement	Levels of procurement	Requirements	Approval
Petty cash	X ≤ EUR 50	No change	Section Heads (or other authorised delegate)
Shopping	X ≤ EUR 2000	No change	Section Heads (or other authorised delegate)
	EUR 2000 < x ≤ EUR 10,000	<ul style="list-style-type: none"> • Goods, services or works are needed to respond directly to the emergency • Evidence that three quotations cannot be obtained within the required time. 	<ul style="list-style-type: none"> • Evaluation of quotation by procuring section • Reviewed by PGRAS • Contracts signed by director, deputy director or authorised delegate
	EUR 10,000 < x ≤ EUR 45,000	<p>CRITICAL AND URGENT REQUIREMENTS</p> <ul style="list-style-type: none"> • Goods, services or works are: <ul style="list-style-type: none"> ○ critical and urgently required items, such as medication, relief food supplies, preventive health, hygiene and safety items, water purification systems and tablets; ○ for immediate rehabilitation equipment, such as chain saw, water pump and generator; or ○ needed for immediate crop and animal health rehabilitation requirements. • Evidence that three quotations cannot be obtained within the required time. • Evidence and justification for the urgency of the need. 	
Request for proposal (RFP)	EUR 45,000 < x	<ul style="list-style-type: none"> • Goods, services or works being procured are needed to respond directly to the emergency • Evidence that the normal advertising period will adversely impact SPC's response to the emergency 	