

FINANCE POLICIES

Procurement

Date approved:	16 June 2020
Date commenced:	1 July 2020

Purpose

To provide 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.

Scope

This policy applies to:

- **staff**
- **non-staff personnel** as set out in Chapter XV of the *Manual of Staff Policies*;
- **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.

Regulations

This policy is issued under regulations 10, 14 and 15 of the *Finance Regulations*.

A. Overview

1. Intent

- 1.1 The intent of this policy is that SPC:
- a. obtains the best value for its purchases, in terms of both cost and quality;
 - b. demonstrates financial probity and accountability to its members and **development partners**;
 - c. manages and prevents the potential for conflicts of interest;
 - d. reduces its environmental impact; and
 - e. manages any other risks.
- 1.2 The policy is to be read in conjunction with the requirements of SPC's Financial Regulations, and any other relevant policies.

2. Definitions

- 2.1 The definitions in 'Chapter I Purpose and Definitions' of the *Manual of Staff Policies* apply to this policy. In addition, the words in the following table apply. Words that have been defined in this section, or in the *Manual of Staff Policies* are in bold throughout this policy.

Word	Definition
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	A specific type of contractor , is a person, organisation or firm engaged for a limited time period to: <ul style="list-style-type: none">• provide specified goods, works or services that implement established policy objectives; or

	<ul style="list-style-type: none"> perform operations or functions that involve skills or capabilities that would normally be expected to reside within SPC but which are not currently available
Contractor	A legal person or entity contracted by SPC under SPC's <i>Procurement Policy</i> .
Finance	The central finance section within SPC that has responsibility for SPC's finances.
Finance system	SPC's finance management system.
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.
Legal Unit	SPC's in-house legal team.
Procurement	is the act of purchasing or acquiring: <ul style="list-style-type: none"> 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.
Procurement Team	The team within SPC that centrally coordinates SPC Procurement.
Procuring section	is the area within SPC initiating the procurement activity. It could be a division, section, team or programme.
Vendor	is a person, organisation or other legal entity that SPC has contracted to provide goods, services or works.

3. Responsibilities

3.1 All **staff** and **non-staff personnel** are expected to:

- a. abide by their duties and obligations under this policy and any other relevant regulation, or policy, including 'Chapter II Code of Conduct, duties and obligations' and 'Chapter IX Work culture and behaviours' in the *Manual of Staff Policies*;
- b. protect the integrity of the procurement process and SPC's reputation;
- c. maintain appropriate records and documentation to account for all procurement decisions over the lifecycle of all goods, services and works purchased by SPC; and
- d. use SPC's electronic procurement processes to ensure an audit trail of decision-making.

3.2 Failure to comply with any part of this policy by **staff** can lead to disciplinary action under 'Chapter XII Investigations and disciplinary actions' of the *Manual of Staff Policies*.

3.3 The **Procurement Team** will:

- a. support **procuring sections** through the procurement process;

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

3.4 **Procuring sections** will

- a. plan their procurement;
- b. participate in the procurement activity with guidance from the **Procurement Team**;
- c. provide any original documents to the **Procurement Team** for record keeping; and
- d. keep appropriate records of the procurement activity.

3.5 **Bidders** and **vendors** are expected to:

- a. submit bids in accordance with the procurement process;
- b. act ethically; and
- c. maintain appropriate records and documentation to show fulfilment of contractual obligations and submit them to SPC on request.

3.6 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**.

B. Procurement Principles

4. Guided by principles

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

- a. High ethical standards
- b. value for money
- c. open competition
- d. social and environmental responsibility.

5. Ethics

5.1 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.

5.2 Under 'Chapter II Code of Conduct, duties and obligations' of the *Manual of Staff Policies* **staff** are expected to maintain the highest ethical standards throughout their conduct at all times. In undertaking procurement activities, an ethical approach involves ensuring accountability and transparency, being free from perceived impropriety and influence, and being avoiding conflicts of interest.

Accountability and transparency

- 5.3 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.

Perceived impropriety and influence

- 5.4 SPC will prevent the intent and appearance of unethical or compromising conduct in relationships, actions and communications. Behaviours or actions that may 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.
- 5.5 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 **staff** valued at more than EUR 50 must be declared to the **Procurement Team** to be included in SPC's Gift and Hospitality Register, as required by paragraph II.10.2.d of the *Manual of Staff Policies*.
- 5.6 Offers of bribes, commissions or other irregular approaches from organisations or individuals (no matter how insignificant it may be), must also be promptly brought to the attention of the **Director-General** as required by paragraph II.10.4 of the *Manual of Staff Policies*.

Conflicts of interest and perceptions of bias

- 5.7 A conflict of interest occurs when a staff member's personal interests interfere with:
- the performance of their official duties and responsibilities to SPC; or
 - the integrity, independence and impartiality required by the **staff member's** status as an international civil servant.
- 5.8 Personal interests can include the person's own direct interests, as well as those of family, friends or other organisations which the person is connected with or invested in.
- 5.9 Avoiding actual, potential and perceived conflicts of interest is fundamental to ensuring the highest levels of integrity and accountability in a procurement process. All **staff** are obliged to report any potential conflicts of interest under section II.9 (Conflicts of interest) of the *Manual of Staff Policies*.
- 5.10 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-General** has approved their participation in the procurement. If the **Director-General** approves the participation, the **staff member** with the potential conflict will be excluded from all parts of the procurement process.
- 5.11 A failure to declare a potential conflict of interest should be reported under section XI.35 of the *Manual of Staff Policies*.

Confidential and proprietary information

- 5.12 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.
- 5.13 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.

6. Value for money

- 6.1 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).
- 6.2 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).

7. Open competition

- 7.1 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.
- 7.2 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.

8. Social and environmental responsibility

- 8.1 Under SPC's *Social and Environmental Responsibility Policy*, SPC is committed to being a responsible organisation in the fight against climate change, biodiversity loss and the protection of the environment, and to promote social responsibility and inclusion.
- 8.2 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.
- 8.3 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.
 - a. Longevity (reusability, recyclability) when purchasing electrical appliances or stationery.
 - b. 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.
- 8.4 SPC will also:
 - a. only purchase printers or copiers that are capable of double-sided printing; and
 - b. examine potential office equipment for energy saving/environmentally sustainable 'tags' or 'eco-labelling'.
- 8.5 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.

- 8.6 Request for Proposals will include a requirement for suppliers to state their conformity to human rights principles, and their willingness to adhere to SPC's child protection and domestic violence policies amongst others.
- 8.7 In addition, SPC is committed to creating opportunities for gender responsive and inclusive procurement. Where feasible, SPC will look to offer contracts to local **vendors** or community based organisations.

C. Project implementation and management modalities

9. Types of modalities

- 9.1 Depending on financing agreements, or on the **development partners** 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 **development partner** requirements.
- 9.2 During the design of a project or programme it is important that there is a clear understanding by SPC and the relevant **development partner** about which modality will be adopted. A project may have more than one mode of implementation.
- 9.3 There are four main types of project implementation and management modes:
 - a. direct implementation
 - b. grant
 - c. sub-delegation
 - d. joint-implementation.
- 9.4 In all instances SPC will be held accountable (by the **development partner** or by members) for any failure to adhere to relevant policies.

10. Direct SPC implementation

- 10.1 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.
- 10.2 There may also be additional requirements to comply with, if they are set out in a **development partner** or financing agreement.
- 10.3 The procurement must be done in accordance with this policy.

11. Grant

- 11.1 A grant is a financial donation or non-commercial payment by SPC to an **implementing partner** to undertake an action or certain activities in line with project objectives. The grantee will procure goods, services and works on behalf of SPC. SPC remains accountable to the **development partner** for ensuring the grantee either complies with SPC's policies and procedures, or their own policies and procedures. The policies or procedures must conform with SPC's or have been positively assessed by an international entity recognised by SPC.
- 11.2 The grant must be based on an approved proposal linked to an approved work plan, and within the framework of agreed project activities.

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

12. Sub-delegation

- 12.1 A sub-delegation involves SPC sub-delegating the implementation of some activities and budget (or sub-delegating its contracting authority) to an **implementing partner**. 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 **development partner** for ensuring the sub-delegate conforms with policies that have been positively assessed by an international entity recognised by SPC.
- 12.2 The sub-delegation of any authority must be done in accordance with *SPC's Grant and Sub-delegation Policy*.

13. Joint-implementation

- 13.1 A joint implementation model involves SPC and an **implementing partner** both contributing financial or human resources to a project or project activities. This contribution may take different forms and SPC may be the lead agency or it may be the subordinate agency. The joint implementation modality allows SPC to form partnerships to better advance its strategic objectives and development outcomes.
- 13.2 For joint implementation, SPC will enter into a written agreement ('Letter of Agreement') with the **implementing partner**, setting out the agreed contributions and actions each party will take to achieve the project. The activities covered by the Letter of Agreement must be linked to an approved work plan, and be within the framework of agreed project activities. If procurement will be happening under the Letter of Agreement, it will also set out which agency's procurement policy will apply.
- 13.3 SPC can agree to make disbursements under a Letter of Agreement providing they are non-commercial and are not being used as a means of circumventing a competitive procurement process.
- 13.4 Any Letter of Agreement must be approved by the **Legal Unit**.

D. Procurement Committee

14. Purpose of Procurement Committee

- 14.1 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.
- 14.2 The committee's appointment, terms of reference and responsibilities are outlined in this section, as is further detail about the evaluation process.

15. Appointment

- 15.1 At the beginning of every year, the **Procurement Team** will provide a list to the **Director-General** nominating **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 the **Procurement Team**, the Operations and Management Directorate (OMD), programmes

and divisions. The list will also include at least four **directors** who will act as the chairs of the committees.

- 15.2 The **Procurement Team** 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.
- 15.3 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, the **Procurement Team** will propose alternative members to the **Director-General**.

16. Establishing a Procurement Committee

- 16.1 SPC may establish a Procurement Committee for each procurement activity, or it may use the same committee for multiple activities.
- 16.2 The **Procurement Team** will propose to the **Director-General** for approval, a Procurement Committee, consisting of:
 - a. a **Director**, who will chair;
 - b. a **Procurement Team** representative, who will provide secretariat support to the committee;
 - c. a representative from the **procuring section**, who will act as the submitting officer and provide any clarification or information relevant to the procurement action;
 - d. a representative from another programme area; and
 - e. one other representative.
- 16.3 For a procurement activity involving:
 - a. IT assets, a representative from the IT team must be included;
 - b. furniture and fittings, a representative from the Facilities team must be included;
 - c. publishing or translation and interpretation services, a representative from the relevant team must be included
 - d. legal services, a representative from the **Legal Unit** must be included.

17. Observers

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

18. Responsibilities

- 18.1 All Procurement Committee members will be well versed in the requirements of this policy and all other relevant SPC policies, including their obligations under *Chapters II Code of Conduct and XI Workplace culture and behaviours of the Manual of Staff Policies*.
- 18.2 The Procurement Committee members are responsible for:
 - a. adhering to the requirements of this policy, especially the obligations to act ethically and with due diligence;
 - b. carrying out evaluations of bids and proposals in line with the Request for Proposal requirements for the particular procurement;

- c. ensuring that SPC's procurement process is followed for the relevant procurement activity;
 - d. ensuring that a consistent and equitable method has been used for evaluation, and which does not favour any **bidder**;
 - e. reviewing documents and justifications provided for procurement to ensure that the justification and documentation is complete and appropriate;
 - f. making recommendations on a particular procurement activity; and
 - g. providing advice on any exceptional process or cases of waiver of policy requirements.
- 18.3 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.
- 18.4 The Procurement Committee Chair is responsible for the smooth operation of the committee, coordinating the evaluation process and ensuring its impartiality and transparency.
- 18.5 The Procurement Committee Secretary is responsible for:
- a. circulating and collecting the declarations of impartiality and confidentiality;
 - b. preparing and circulating documentation for the committee;
 - c. keeping the minutes of all meetings and the relevant records and documents;
 - d. recording attendance at meetings; and
 - e. compiling the evaluation reports and their supporting annexes.

19. Declaration of impartiality and confidentiality

- 19.1 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. The **Procurement Team** will provide the necessary forms.
- 19.2 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. The **Director-General** may put in place measures to mitigate any conflict of interest (see paragraph II.9.3 *Manual of Staff Policies*).

20. Scheduling meetings

- 20.1 The **Procurement Team** will organise the arrangements and logistics for Procurement Committee meetings.
- 20.2 Where possible, the **Procurement Team** will prepare a schedule of monthly meetings. However, the **Procurement Team** may also organise ad hoc meetings to consider individual procurement activities.

21. Submissions to Procurement Committee

- 21.1 The **Procurement Team** 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.
- 21.2 Documentation will include at least the following information:

- a. all information provided to **bidders**, including the advertisement and statement of needs
 - b. all quotations or proposals received
 - c. written information about communication between SPC and **bidders** during the solicitation process.
- 21.3 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.

22. Quorum

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

E. Record keeping and documentation

23. Record keeping

- 23.1 SPC acknowledges that managing procurement documentation or records is a vital component of sound procurement practice, and required by section II.8 (Making decisions) of the *Manual of Staff Rules*. 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.
- 23.2 The **Procurement Team** will maintain a full set of procurement documents for every RFP. The **procuring section** will maintain a full set of procurement documents for all other procurement actions. These records may be maintained electronically. For procurement actions not involving the **Procurement Team**, the relevant division or programme area must provide copies of contracts to the **Procurement Team** for record keeping.
- 23.3 Below is an explanation of the main procurement documents and their functions.

24. Purchase orders (PO)

- 24.1 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.
- 24.2 Purchase orders will be raised for all procurement activities, except for petty cash and direct payments. Where the purchase also requires a separate contract to be signed, the purchase order is to be raised as soon as practicable after the contract has been signed to ensure the agreement is tracked in the **finance system** (see paragraph 25.3). No work or delivery of goods and services will start before the approval of the purchase order.
- 24.3 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 the **Procurement Team** 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.
- 24.4 Any amendments to purchase orders must comply with the requirements of section M.68 (Contract Amendment) below.

25. Contract

- 25.1 The award of procurement is made by issuing approved purchase orders and/or contracts to the successful **vendor**.
- 25.2 The **procuring section** is to use standard SPC templates for all contracts and legal documents and provide them to the **Procurement Team** for review and registration by the **Procurement Team** before being issued. Any changes from the standard contract will be cleared with the **Legal Unit** by the **Procurement Team**.
- 25.3 While a contract also forms SPC's commitment with external parties and is a legally binding document, a purchase order still need to be raised to capture all legal commitments in the **finance system** and before work or delivery may start (see paragraph 24.2). The purchase order is be raised as soon as practicable after the contract is signed. This is also to assist with the management of contracts and budget.

26. Solicitation documents

- 26.1 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.

Statement of needs

- 26.2 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.

Instructions to bidders

- 26.3 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.

Proposal/quotation submission forms

- 26.4 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.
- 26.5 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.
- 26.6 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.
- 26.7 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).

SPC general conditions of contract

- 26.8 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.

Letter of invitation

- 26.9 A letter of invitation solicits offers in a request for proposal. The letter of invitation includes the following:
- a. reference to the specific quotation or proposal
 - b. a list of supporting documents issued, including the statement of needs
 - c. the date and place of submission and bid or proposal opening
 - d. closing deadline
 - e. general conditions of contract.

27. Records of the evaluation

- 27.1 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 are to be uploaded to the **finance system** to support the raising of the purchase order.

28. Communications with participants

- 28.1 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.

F. Procurement Process

29. Steps in the process

- 29.1 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.
- 29.2 All procurement follows the same main steps:
- a. planning
 - b. statement of needs
 - c. requisition
 - d. solicitation
 - e. evaluation
 - f. award
 - g. receipt
 - h. payment.
- 29.3 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.

30. Procurement planning

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

- a. fully identify and assess needs;
 - b. consider the best method for procurement;
 - c. identify possible **vendors**;
 - d. determine the best timing;
 - e. assess and mitigate risks;
 - f. manage the procurement process; and
 - g. identify opportunities for consolidation of purchases and therefore negotiate better services or terms and conditions.
- 30.2 It also allows the **Procurement Team** to plan so that it can provide appropriate support for large and complex procurement processes.
- 30.3 Each SPC division and programme will prepare and submit to the **Procurement Team** an annual procurement plan, before 31 January every year. All procurement activities should be included in the procurement plan.
- 30.4 The **Procurement Team** will prepare an annual SPC consolidated corporate procurement plan, containing the divisional inputs. The **Procurement Team** 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. The **Procurement Team** will use this process to identify options for establishing preferred provider arrangements.

31.Statement of needs

- 31.1 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.
- 31.2 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.

Specification of goods

- 31.3 Depending on the purchase, the following information should be included in the specification of goods:
- a. Functional specification – this focuses on what a product is to do, and what the end use will need.
 - b. Design specification – this defines the exact details of the goods (measurements, drawings, colours).
 - c. 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).

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

- 31.4 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.

Scope of works for construction and infrastructure works

- 31.5 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.

32. Requisition

- 32.1 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.

33.Solicitation

- 33.1 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 the **Procurement Team** will lead the solicitation process.
- 33.2 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.

34.Evaluation

- 34.1 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.
- 34.2 Anyone undertaking an evaluation is obliged to uphold the highest ethical standards of this policy.

Evaluation criteria

- 34.3 The quotes/proposals will be assessed against the evaluation criteria matrix that formed part of the instructions to **bidders**.
- 34.4 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.
- 34.5 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.

35. Procurement award

- 35.1 SPC may award the contract once it is determined that:
- a. a **bidder** has met the prescribed requirements; and
 - b. 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.
- 35.2 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.

36. Procurement protests

- 36.1 **Bidders** that consider they were not treated fairly during a procurement process may lodge a protest. The protest should be addressed to the **Director-General**. The **bidder** must provide the following information:
- a. full contact details
 - b. details of the relevant procurement
 - c. reasons for the protest, including how the alleged behaviour negatively impacted the **bidder**
 - d. copies of any documents supporting grounds for protest
 - e. the relief that is sought.
- 36.2 The **Director-General** will use the investigations procedures under 'Chapter XII Investigations and disciplinary actions' of the *Manual of Staff Policies*. Where the complaint involves allegations of fraud or corruption, the provisions of XI.H (Fraud and Corruption) will apply.
- 36.3 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 acknowledge the complaint within five working days to inform the **bidder** that SPC will undertake the necessary actions to review the complaint, which will include investigating the complaint within a reasonable timeframe.
- 36.4 If the complaint has merit the **Director-General** will consider the appropriate grounds for relief and advise the **bidder** accordingly. If the investigation finds that the complaint has no merit, SPC will advise the **bidder** of the reasons and close the complaint.

37. Receiver function

- 37.1 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.

G. Procurement thresholds and impact on process

38. Impact of different thresholds

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

- 38.2 It is prohibited to split contract values across multiple contracts, or between multiple **vendors**, so as to avoid a procurement threshold or competitive process.
- 38.3 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.

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

- 39.1 Procurement valued at less than or equal to EUR 50 can be undertaken using petty cash by the **Director-General's** delegate. Advance cash for authorised expenses may be taken, or reimbursement can be claimed using receipts for expenditure incurred.
- 39.2 Petty cash is maintained by **Finance**, as well as divisions, programmes and project offices.

40. Shopping – $\text{EUR } 50 < x \leq \text{EUR } 2000$

- 40.1 Procurement valued at more than EUR 50, but less than or equal to EUR 2000, requires at least one quotation.
- 40.2 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**.
- 40.3 The quote will be evaluated by the **procuring section** and the **vendor** approved by the **Director-General's** delegate. The quote must conform to the technical requirements of the procurement.
- 40.4 The **Procurement Team** will conduct post-facto random checks to ensure that these procurement activities provide SPC with the best value for money available in the market.
- 40.5 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, the **procuring section** is to use either an RFQ or RFP for future purchases.

41. Request for quotation (RFQ) – $\text{EUR } 2000 < x \leq \text{EUR } 45,000$

- 41.1 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.
- 41.2 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.
- 41.3 Depending on the market for the product or services being procured, procurement below this threshold can also be advertised.
- 41.4 The **procuring section** will evaluate the quotes using the evaluation matrix template, to compare all quotations and proposals received. The **Procurement Team** can assist to ensure the appropriate process is followed and that all the relevant documentation is properly filled

in. The successful **bidder** is to be approved by the **Director-General**'s delegate, at which point the **procuring section** can prepare the contract (see section 25 (Contracts)).

- 41.5 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.

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

- 42.1 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. The **Procurement Team** will coordinate the process to ensure compliance with the process (and will complete the required RFP checklist).

Solicitation

Advertising

- 42.2 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.
- 42.3 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, but may not undertake any actions or communicate with them in a way that could be perceived as offering assistance to potential bidders.

Communication with bidders or potential bidders

- 42.4 Once an RFP is advertised all requests for clarification about the content of the RFP from a potential **bidder** must be made through the **Procurement Team**. Contact details will be included in the RFP. This is to ensure that no **bidder** is given preferential treatment.
- 42.5 All communication sent out in response to a query will be copied to all **bidders** that have already submitted their bids.

Two envelope process

- 42.6 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.
- 42.7 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 **Director-General** may approve this waiver.

Closing date

- 42.8 All bids must be received before the closing date specified in the RFP documents.
- 42.9 In exceptional circumstances, specifically where the **bidder** had submitted the proposal before the deadline and it was not received in time by the **Procurement Team**, the **Director-General** 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.

Extension

- 42.10 The **Director-General** 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.

the **Procurement Team** will notify **bidders** that have already submitted a proposal and provide them with an opportunity to re-submit before the new deadline.

- 42.11 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.

Evaluation

- 42.12 SPC's Procurement Committee will undertake an RFP evaluation.

Opening the bids

- 42.13 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 the **Procurement Team** and a representative of the **procuring section**.

- 42.14 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:

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

- 42.15 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.

Requests for clarification

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

Technical evaluation

- 42.17 As a first step, the Procurement Committee will undertake the technical evaluation.
- 42.18 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-General**.
- 42.19 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.
- 42.20 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.

Financial evaluation

- 42.21 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.

42.22 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:

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

Cumulative evaluation

42.23 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.

Evaluation report

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

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

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

Negotiations

42.26 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 after the Procurement Committee's report has been approved (see 42.27). Negotiations should result in a clear understanding of responsibilities under the contract and better value for money than provided for in the recommended proposal.

Award of contract

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

42.28 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.

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

43.1 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 Guidelines*).

- 43.2 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. The **Director-General** will approve any high value RFP.

Risk management

- 43.3 A risk assessment must be undertaken before the start of the procurement activity for all high-value procurements (more than EUR200,000) or complex procurements. The risk assessment is to be undertaken by the project manager, in collaboration with the **Procurement Team**, 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*.

Solicitation

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

Contract terms

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

H. Rosters and preferred suppliers

44. Expressions of interest

- 44.1 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.
- 44.2 The EOI process does not automatically lead to an award of contract. The purpose of the EOI process is limited to assisting **procuring sections** by providing them with a shortlist of prospective **vendors** on roster.
- 44.3 The technical evaluation of EOIs will be done by the **procuring section**, with a report submitted to the Procurement Committee for approval.
- 44.4 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.
- 44.5 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.
- 44.6 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.
- 44.7 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 at least three 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.

45. Preferred supplier agreements

- 45.1 SPC uses preferred supplier agreements (PSA) to capitalise on volume procurement, by leveraging its purchasing power for low-value but high-volume procurement.
- 45.2 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.
- 45.3 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**.
- 45.4 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. (see 63.1.c Direct contracting)
- 45.5 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.
- 45.6 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.
- 45.7 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.

I. Crisis response procedures (CRP)

46. Purpose of the CRP

- 46.1 The crisis response procedures (CRP) 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.
- 46.2 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.

47. Activation of CRP

Declaration

- 47.1 The **Director-General** may declare a crisis to invoke the application of the CRP. To declare a crisis the **Director-General** needs to be satisfied that:
- a. a government (national, provincial or other) or international organisation has declared a form of state of emergency, or
 - b. a government (national, provincial or other) is taking active time critical steps to mitigate the impact of an imminent disaster or crisis.
- 47.2 The declaration needs to be in writing and must include:
- a. confirmation of specific projects or programmes that may use the CRP;
 - b. any geographical limitations;
 - c. any restrictions on functional areas for the project; and
 - d. the time limit of the declaration.
- 47.3 All other programmes and projects will continue to apply standard policies and procedures.
- 47.4 The **Procurement Team** must be consulted for any procurement made under CRP. 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.

Duration of emergency or crisis period

- 47.5 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 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.
- 47.6 The **Procurement Team** will maintain separate records of all CRP procurement. A report will be provided to the **ARC** of all procurement under the CRP.
- 47.7 The **Director-General** may renew the declaration for a further period of no more than ninety (90) days. If the declaration is not renewed it lapses.
- 47.8 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.
- 47.9 A procurement plan detailing the expected procurement activities will be forwarded to the **Procurement Team** following the declaration.

48. The procedures

- 48.1 The CRP make the following changes to the procurement thresholds.

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

- 48.2 When the CRP are applied the **procuring section** may use the procurement 'shopping' process up to a threshold of EUR 10,000 providing that:
- a. the goods, services or works being procured are needed to respond directly to the emergency set out in the declaration; and
 - b. there is evidence and justification for why three quotes cannot be obtained within the required time.

- 48.3 The **Procurement Team** must be consulted before the **Director-General's** delegate approves the purchase. Poor planning is not a justification for not obtaining three quotes. Appropriate reasons may include evidence that appropriate suppliers are affected by the crisis.

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

- 48.4 When the CRP are applied the **procuring section** may use the procurement 'shopping' process up to a threshold of EUR 45,000, provided that:
- a. the good, services or works are:
 - i. critical and urgently required items (such as medication, relief food supplies, preventive health, hygiene and safety items, water purification systems and tablets); or
 - ii. immediate rehabilitation equipment (such as chain saw, water pump and generator); or
 - iii. needed for immediate crop and animal health rehabilitation requirements; or
 - iv. freight or postage for goods being supplied.
 - b. there is evidence and justification for why three quotes cannot be obtained within the required time; and
 - c. there is evidence and justification for the urgency of the need.

48.5 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.

48.6 The **Procurement Team** must be consulted before the **Director-General's** delegate approves the purchase.

48.7 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.

Crisis response RFP – x<EUR 45,000

48.8 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.

48.9 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.

48.10 The **Procurement Team** 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.

48.11 The Procurement Committee's report will be submitted to the **Director-General** for approval.

Monitoring, evaluation and reporting

48.12 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 the **Procurement Team** 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.

Accountability

- 48.13 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.

J. Consultancies

49. Purpose of a consultancy

- 49.1 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.
- 49.2 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.

50. Terms of reference

- 50.1 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**.
- 50.2 An adequate and clear TOR is important for understanding the assignment and its correct execution. The TOR should clearly explain the following:
- a. the objectives of the assignment
 - b. the scope of work
 - c. the activities and tasks to be performed
 - d. expected results and deliverables
 - e. responsibilities of the **consultant**
 - f. details of fees
 - g. a schedule of payment.
- 50.3 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.

51. Limits on engaging consultants

Conflicts of interest

- 51.1 In hiring any **consultants** it is critical that SPC avoid or manage any potential conflicts of interest.
- 51.2 SPC will not hire any **consultants**:
- a. 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
 - b. 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.

Former staff

- 51.3 SPC will not hire a former or retired **staff member** as a **consultant** within three months of their separation from SPC.
- 51.4 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 **development partner** requirements). In such a case, a consultancy contract may be offered, providing it has been approved by the **Director-General**.
- 51.5 The length of such a contract will not exceed six (6) months.

52. Hiring a consultant

- 52.1 **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.
- 52.2 It is important to be able to compare the total cost of the contract 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) for the fees. In addition, the **bidder** must clearly set if there are any additional costs out of pocket expenses that they expect SPC to cover (eg travel) on top of the fees so that a clear comparison between bids can be made.

53. Consultant contract terms

- 53.1 **Procuring sections** and **consultants** should be aware of the following specific requirements for **consultants**.
- 53.2 A **consultant** will not start work or travel until the signing of the contract by both parties.
- 53.3 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.
- 53.4 In exceptional circumstances SPC may provide assets or facilities, such as computer equipment, office or internet access, and access to other SPC ICT services 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**.
- 53.5 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 conditions of 'Chapter VII Travel' of the *Manual of Staff Policies* will be applied.
- 53.6 A minimum of thirty (30) per cent of the consultancy fee must be allocated to the final payment of the contract.

K. Payment

54. Compliance with policies and procedures

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

55. Advance payment

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

- 55.2 SPC may advance up to 20 per cent of the value of a service contract if the advance payment is required for:
- a. mobilisation costs linked to civil works;
 - b. start-up costs; or
 - c. design costs.
- 55.3 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:
- a. facilitates international procurement; or
 - b. relates to a critical payment (such as a booking fee for a venue for a workshop).
- 55.4 In all circumstances, the **Procurement Team** must approve all requests to enter into any contract or arrangement requiring an advance payment before any commitment is made to the **vendor** about advance payment.
- 55.5 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.

56. Contracts payments

- 56.1 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.

57. Payment terms

- 57.1 To receive payment in line with the payment schedule of the contract, the **contractor** must submit an invoice to SPC. The invoice should specify:
- a. the goods or services delivered (or milestone achieved);
 - b. the date of delivery;
 - c. the net cost; and
 - d. any discount or charges, as appropriate.
- 57.2 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.

58. Final payment

- 58.1 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.
- 58.2 For goods, the goods must have been received and accepted by SPC.
- 58.3 For services, the services must have been received and SPC must accept the quality of those deliverables.
- 58.4 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.

59. Direct payments

- 59.1 A direct payment is a payment made when no purchase order has been issued.
- 59.2 A direct payment can be used for the following categories of services:
- a. utilities payment
 - b. customs fees and duty charges relating to consignments
 - c. subscription charges
 - d. renewal of business or software licence
 - e. fees to educational institute for professional development
 - f. credit card payment to banks
 - g. internal transfer of funds within or between divisions
 - h. travel advance
 - i. payment of insurance premium
 - j. legal fees
 - k. advertising of procurement and recruitment notices.
- 59.3 A direct payment can be used in circumstances where:
- a. the cost of the services being delivered cannot be ascertained before the delivery of services; and
 - b. 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.
- 59.4 The **Director-General** may approve other limited categories for direct payments. All requests for processing of direct payments must be submitted through the Procurement Team, and payment must be made in line with SPC's financial policies and procedures.

60. Credit card payments

- 60.1 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.
- 60.2 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 a delegate. Please refer to *SPC Credit Card Policy*.

L. Exceptions

61. Exceptions

- 61.1 SPC may deviate from the procurement processes set out in this policy in the limited circumstances set out in this part.
- 61.2 The **procuring section** is expected to comply with the *Procurement Policy*, and failure to do so may lead to disciplinary action under 'Chapter XII Investigation and disciplinary measures' of the *Manual of Staff Policies*.

- 61.3 Where situation has arisen where the policy has not been adhered to, the **Director-General** may retrospectively approve derogation from the procurement process, where it is in the best interests of SPC to do so, and where they are satisfied it does not undermine the principles in Part B (Procurement Principles). The **procuring section** must provide an explanation of the circumstances leading to the situation, including how it occurred, and what mechanisms have been put into place to ensure similar situations are prevented in the future. Any such derogation will be reported to the **Audit and Risk Committee**

62. Non-competitive procurement (NCP)

- 62.1 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.
- 62.2 All requests for non-competitive procurement must be made through the **Procurement Team**. 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. The **Procurement Team** will review the request before submitting it to the **Director-General** for approval.
- 62.3 The **Procurement Team** will maintain a register of all NCPs, which will be reported to the **Audit and Risk Committee**.
- 62.4 NCPs will only be approved under the following limited circumstances.

Sole supplier

- 62.5 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.
- 62.6 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.

Emergency or crisis situation

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

Exceptionally specialised need

- 62.8 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.
- 62.9 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.

Standardisation and compatibility

- 62.10 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.

63. Contracting without competition (direct contracting)

63.1 The **Director-General** may also contract without competition in the following circumstances:

- a. 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.
- b. The **vendor** has been previously appointed through an open competitive process, and:
 - i. the specifications for the deliverables required is similar to the previous contract deliverables;
 - ii. an initial open competitive process was carried out within one year prior to the new requirement;
 - iii. 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
 - iv. the **contractor's** delivery under the first contract was satisfactory.
- c. The **vendor** has a preferred supplier agreement with SPC (see section 45 Preferred supplier agreements).

64. Project dealing with informal sectors

64.1 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, **development partners** may require SPC to develop the operational and technical capacity of such partners.

64.2 Where SPC is working with an **informal sector**, the appropriate procurement process to enable effective implementation should be identified during the designing or planning of the activities and be made known to the **development partner** for its endorsement.

64.3 If the **development partner** endorses the proposal the **Procurement Team** will prepare a submission for the **Director-General's** approval, setting out:

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

64.4 The **Director-General** must approve the proposal before procurement action commences.

65. SPC Canteen

65.1 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.

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

66. Special development partner requirements

- 66.1 SPC acknowledges that some procurement and supply management activities may be subject to specific **development partner** requirements, based on special project needs.
- 66.2 If these requirements are approved by the **development partner**, 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 **development partner**, the **development partner** requirements will take precedence over any part of this policy. Examples where this may apply include where the **development partner** names a specific **contractor** in the project document or where the **development partner** requires SPC to use the **development partner's** procurement policies and procedures.
- 66.3 A **contractor** is not to be named in an agreement, simply as a means to circumvent SPC's competitive procurement process. SPC must still ensure that appropriate due diligence and vendor checks are carried out before the **contractor** is named in the agreement and that the principles under Part B (Procurement Policy) are not undermined.
- 66.4 In all cases where the **development partner** has requirements in the contribution or financing agreement that take precedence over any part of this policy, the **Procurement Team** or **procuring section** will exercise necessary due diligence to ensure that the basic international principles of procurement and financial accountability are not compromised.

M. Contract management

67. Importance of contract management

- 67.1 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.
- 67.2 Once a PO is issued, or a contract is signed, the **Procurement Team** 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.
- 67.3 All documentation relating to the contract must be provided to the **Procurement Team** for filing.

68. Types of contracts

- 68.1 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.
- 68.2 A contract must be signed and dated by both parties (each holding the necessary authority to bind) before it is effective.

- 68.3 The **Procurement Team** can provide advice on the most appropriate contract. Examples of types of contracts include:
- a. contract for professional services
 - b. consultancy contract – outputs based or time based
 - c. contract for works
 - d. contract for supply
 - e. preferred supplier agreement
 - f. lease and rental agreement
 - g. intellectual property agreement
 - h. grant agreement
 - i. sub-delegation agreement.

69. Contract amendment

- 69.1 If there is a need to change the material aspect of the contract, then there must be a contract amendment approved by the **Director-General**.
- 69.2 A request for amendment of contract is to be made by the **procuring section** through the **Procurement Team**. 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.
- 69.3 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 before approval.
- 69.4 All amendments or extensions of contracts must take place before its expiry.
- 69.5 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.
- 69.6 It is prohibited to use a contract amendment to avoid a competitive process.
- 69.7 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.
- 69.8 If the terms of reference, scope specifications or deliverables/outputs are amended a new competitive process must be undertaken.

70. Breach of contract

- 70.1 If a **vendor** breaches a contract, SPC will take appropriate remedial action.
- 70.2 The **procuring section** managing the contract must alert the **Procurement Team** to possible breaches of contract as soon as they become aware. The **Procurement Team** will liaise with the **Legal Unit** and consider appropriate action.

71. Post-facto and retroactive contracts

- 71.1 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.

- 71.2 SPC maintains a zero tolerance approach to the processing of post-facto and retroactive contracts, and it can lead to disciplinary action under 'Chapter XII Investigation and disciplinary measures' of the *Manual of Staff Policies*.
- 71.3 Where a post-facto or retroactive situation has occurred the **Director-General** may retrospectively approve the contract. The **procuring section** must provide an explanation of the circumstances leading to the post-facto or retroactive situation, including how it occurred, any emergency or unusual circumstances, reasons why the process resulted in a post-facto or retroactive situation, and what mechanisms have been put into place to ensure similar situations are prevented in the future. Post facto and retroactive cases are reported to the **Audit and Risk Committee**.
- 71.4 The **Director-General** may approve payments on such a contract.

72. Performance security

- 72.1 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**.
- 72.2 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.
- 72.3 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.
- 72.4 A performance security will be in the currency of the contract, and will be in one of the following forms:
- a. bank guarantee or irrevocable letter of credit, issued by a reputable bank;
 - b. cashier's cheque or certified cheque;
 - c. performance bond; or
 - d. percentage of total payment held as retention money until final acceptance.
- 72.5 The performance security will be returned within thirty (30) days of completion of the contract, including any warranty obligations.

73. Liquidated damages

- 73.1 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.
- 73.2 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.

74. Contract closure

- 74.1 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.

- 74.2 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 the **Procurement Team** for reference for future procurement.

N. Vendor Management

- 74.3 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.

75. Definition of a vendor

- 75.1 A **vendor** is either an external person or an entity entered in the **finance 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.
- 75.2 **Vendors** who have been inactive for two years in the **finance system** will be de-activated in the system. To re-use de-activated **vendors** the **procuring section** will need to request re-activation.

76. Vendor entry

- 76.1 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).
- 76.2 **Vendors** signing a contract with SPC will be expected to declare that they have no conflicts of interest in entering the agreement with SPC.
- 76.3 The **procuring section** will send a request to the **Procurement Team** for a **vendor** to be added to **finance system**. The **Procurement Team** 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. The **Procurement Team** may:
- a. undertake reference checks;
 - b. request any additional information; and
 - c. confirm the **vendor** is not on the UN Security Council Sanctions List (see *Anti-Money Laundering and Counter-Terrorism Financing Policy*) or 'blacklisted' or banned by Council of Regional Organisations in the Pacific (CROP) agencies or any other agency.

77. Updating vendor information

- 77.1 **Vendor** information can be updated by the **procuring section** by advising the **Procurement Team**.

78. Communicating with vendors

- 78.1 **Staff** will communicate with **vendors** or potential **vendors** in a professional, transparent and fair manner, and in compliance with this policy. In particular, where an RFP process is under way, all **staff** communications must comply with the restrictions on under section 42 of this policy to ensure that there is no perception of offering assistance to potential **vendors**

79. Monitoring vendor performance

- 79.1 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.
- 79.2 **Procuring sections** will provide feedback on the **vendor's** performance to the **Procurement Team**, and the **Procurement Team** will share this information with other potential **procuring sections**.
- 79.3 SPC will carry out service audits for appointed preferred service providers.

80. Listing of non-responsible vendors

- 80.1 A non-responsible **vendor** is a **vendor** that has:
 - a. been involved in irresponsible, fraudulent and unaccountable business dealings contrary to Part XI.H (Fraud and Corruption) of the *Manual of Staff Policies*,
 - b. acted in contravention of SPC's *Anti-Money Laundering and Counter-Terrorism Financing Policy*, or
 - c. acted in contravention of Part XI.D (Harassment, sexual harassment and sexual exploitation) or Part XI. G (Child and vulnerable adult protection) of the *Manual of Staff Policies*.
- 80.2 Any vendor listed as non-responsible is ineligible to supply goods, services or works to SPC.
- 80.3 The **Director-General** may declare a **vendor** will be declared as non-responsible if it is found to have:
 - a. committed fraud and collusion in conjunction with SPC procurement tenders;
 - b. submitted false invoices or quotations, false **vendor** information, or inflated prices;
 - c. provided improper benefits to **staff**;
 - d. failed to maintain documentation to support fees charged for its subcontractors; or
 - e. failed to declare possible conflicts of interest.
- 80.4 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.
- 80.5 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.
- 80.6 The non-responsible **vendor** list is maintained by the **Procurement Team**. It will not be made public.