

# LUTHERAN WORLD SERVICE INDIA TRUST

## Revised Procurement Policy – August, 2015

### 1 Authority for this policy

Lutheran World Service India Trust, upon endorsement by the Board of Trustees, this policy comes into effect from 1<sup>st</sup> September, 2015.

### 2 Exceptions to this policy

The LWSIT Programme must adhere to any specific procedures specified in Project Agreements entered into with non-Related Agency donors. Such Procedures take precedence over any regulations / guidelines contained in the LWSIT Procurement Policy.

### 3 Policy and Objectives

The Objective of LWSIT's procurement policy is to provide appropriate quality products or services at the specified time and place and at cost effective price.

The procurement systems implemented by LWSIT are designed to ensure that products and services are provided in/at

- ◆ the RIGHT QUANTITY
- ◆ the RIGHT QUALITY
- ◆ the RIGHT TIME
- ◆ the RIGHT SOURCE
- ◆ the RIGHT PRICE
- ◆ the RIGHT PLACE

### 4 Procurement Principle

The principal of LWSIT's procurement policy are:

- ❖ Ethics, Transparency
- ❖ Avoid Conflict of Interest
- ❖ Giving preference to the Project Community without compromising the general principle
- ❖ Equal Opportunity
- ❖ Competitive
- ❖ Best Value for Money

### 5 Competitive Bids

Procurement decisions are based on the principle of competitive (Confidential) bidding. Details are given in section 11.3 & 11.5 and 13.1, 13.4 – 13.7.

### 6 Prohibition of Illegal or Corrupt behaviour

No offer, payment, consideration or benefit of any kind which constitutes illegal or corrupt practice shall be made –directly or indirectly—as an inducement or reward in relation to tendering (quoting), award of the contract or execution of the contract. Any such activity will be grounds for immediate cancellation of the contract or relationship with the supplier and termination of any LWSIT staff who are proved to be involved.

## **7 International or Local Procurement**

International procurement is conducted only when locally produced goods are not available on reasonable terms. Local includes neighbouring states. To ensure that LWSIT selects bids from the most competitive suppliers, the team must also solicit quotations from other reputable suppliers.

## **8 Procurement Decision Making**

Through this policy document the LWSIT Executive Director delegates authority to various LWSIT staff to carry out the various steps in the procurement process. This is done so they can act speedily in obtaining what is needed at the right time and in such a way as to obtain the best value for money in a fair and transparent manner.

All decisions must be clearly documented and an audit trail maintained at all times.

## **9 Overview of the Procurement Process**

With only a few exceptions noted below the procurement process should include all of the following steps:

- a. Preparing and approval the procurement plan.**
- b. Requisition and statement of funds available.**
- c. Obtaining quotations**
- d. Making comparative statement of the quotations**
- e. Selecting the supplier(s)**
- f. Issuing the Purchase order(s)**
- g. Receiving the purchased items and checking them for quantity and quality**
- h. Issuing the Goods Received Note**
- i. Regret letter to unsuccessful bidders**

## **10 Delegation of authority and requirements for purchases according to the amount of purchase**

### **Where the total purchasing cost is below Rs.10,000 At Project Level and National Office**

- Should be included in the approved budget
- Requisition on printed format
- Does not require quotations
- May be done on the authority of the Unit/Project Level Management Committee or the Executive Director

### **Where the total purchasing cost is between Rs.10,000 to Rs.25,000 (requisite value for any single item)**

#### **At Project level**

- Must have a budget allocation specified in the approved Procurement Plan. – See Section 11.1.
- Annual budget for any single item of more than Rs.25000.00 – purchase approval should be taken from National Office
- Requester to complete Requisition Form - approved by Unit/Project Manager.
- 3 sealed Quotations are required.\*
- Tabulation of quotations to be prepared after the quotations are opened by the Project Level Management Committee and signed by all members. \*
- Samples are not required for branded items which have well established quality standard (such as steel rods, cement etc.) or where such samples are not practical (sand, boulders)

made-on-the-spot doors and windows, livestock, minor forest produce etc.). The items which should have samples are food grains, clothing, blankets, plastic sheets, bricks, seeds, paddy and similar items.

- Qualified suppliers are not mandatory.\*
- Selection of supplier(s) to be made by Project Level Management Committee\*
- Purchase Order to be signed by Unit/Project Manager \*
- Payment to the supplier to be disbursed after receiving the signed Challan and Goods Received Note from the authorised person receive the material. Authorised person should sign in challan and GRN by full name with official stamp.
- Other related documentation like stock inventory to be maintained by the authorised personnel.
- Regret letter to be issued to the unsuccessful bidder by the Unit Manager/ Responsible Person
- Exception for rules marked with \* is made for purchase of items like livestock and paddy and minor forest produce from local market/weekly market/neighbouring village/local grower with the involvement of the Right holders, LWSIT representative and SHG/ CBO representative. Monthly statement of all purchases to be sent to PST and Department Head. The related process documents in this case need to be prepared and signed by those involved to the purchase for record.

#### At Head Office

- Requester to complete Requisition Form - approved by the Executive Director or any two of Management Committee Members in his absence
- 3 Quotations are required.
- National office may collect quotation online via PST e-mail ID only or any other designated e-mail ID by Executive Director.
- Tabulation of quotations to be prepared by PST
- Samples are not required for branded items which have well established quality standard (such as steel rods, cement etc.) or where such samples are not practical (sand, boulders made-on-the-spot doors and windows, livestock, minor forest produce etc.). The items which should have samples are food grains, clothing, blankets, plastic sheets, bricks, seeds, paddy and similar items.
- To be procured from qualified suppliers.
- Selection of supplier(s) to be made by the Executive Director/Management Committee members in absence of Executive Director
- Purchase Order to be signed by the Executive Director/any two of Management Committee Members in absence of Executive Director
- Payment to the supplier to be disbursed after receiving the signed Challan and Goods Received Note from the authorised person receive the material. Authorised person should sign in challan and GRN by full name with official stamp.
- Other related documentation like stock inventory to be maintained by the authorised person.
- Regret letter to be issued to the unsuccessful bidder by PST

**Where the total purchasing Cost is between Rs 25,000 to 250,000 (requisite value for any single items)**

- Must have a budget allocation specified in the approved Procurement Plan. – See Section 11.1.
- Requester to complete Requisition Form – approved by Department Head for project related purchases ; Approved by Executive Director for National Office related purchases
- Minimum of 3 quotations are required\*
- National office may collect quotation online via PST e-mail ID only or any other designated e-mail by Executive Director.
- Tabulation of quotations to be prepared by PST\*
- Samples are not required for branded items which have well established quality standard (such as steel rods, cement etc.) or where such samples are not practical (sand, boulders made-on-the-spot doors and windows, livestock, minor forest produce etc.). The items which should have samples are food grains, clothing, blankets, plastic sheets, bricks, seeds, paddy and similar items.
- Qualified suppliers are required.\*
- Selection of supplier(s) is made by Executive Director and Department Head for project related purchases\*
- Selection of supplier(s) is made by Management Committee and the Executive Director for National Office related purchases.\*
- Letter of approval to be sent by PST in-case of project related purchase
- Purchase Order for National Office related purchase will be signed by Executive Director/any two of Management Committee Members in absence of Executive Director
- Payment to the supplier to be disbursed after receiving the signed Challan and Goods Received Note from the authorised person received the material. Authorised person should sign in challan and GRN by full name with official stamp.
- Exception for rules marked with \* is made for purchase of items like livestock & paddy and minor forest produce from local market/weekly market/ neighbouring village/ local grower with the involvement of the Right holders, LWSIT representative & SHG/ CBO representative. Monthly statement of all purchases to be sent to PST & Department Head. The related process documents in this case need to be prepared and signed by those involved to the purchase for record.
- Documentation to be maintained by PST – National Office.
- Regret letter to be issued to the unsuccessful bidder by the Project Personnel in case of Project based bidder and for others PST is responsible for the same.

**Where cost is between Rs.250,000 to Rs.10,000,00 (requisite value for any single items)**

- Must have budget allocation specified in approved Procurement Plan. – See Section 11.1.
- Requester to complete Requisition Form – for project related purchases the requisition is approved by the Department Head, for National Office related purchase, it is approved by Executive Director
- Request for Quotation (RFQ) from at least 3 pre-qualified/genuine & reliable suppliers.\*
- National office may collect quotation online via PST e-mail ID only or any other designated e-mail by Executive Director.
- Tabulation of quotations to be prepared by Procurement service team\*
- Samples are not required for branded items which have well established quality standard (such as steel rods, cement etc.) or where such samples are not practical (sand, boulders made-on-the-spot doors and windows, livestock, minor forest produce etc). The items

which should have samples are food grains, clothing, blankets, plastic sheets, bricks, seeds, paddy and similar items.

- Selection of supplier(s) by National Office Management Committee including Executive Director.\*
- Purchase Order to be prepared by Procurement service team and signed by Executive Director / any two of Management Committee Members in absence of Executive Director
- Payment to the supplier to be disbursed after receiving the signed Challan and Goods Received Note from the authorised person received the material. Authorised person should sign in challan and GRN by full name with official stamp.
- Exception for rules marked with \* is made for purchase of items like livestock and paddy and minor forest produce from local market/weekly market/ neighbouring village/local grower with the involvement of the Right holders, LWSIT representative and SHG/ CBO representative. Monthly statement of all purchases to be sent to PST and Department Head. The related process documents in this case need to be prepared and signed by those involved to the purchase for record.
- Documentation to be maintained by PST –National Office .
- Regret letter to be issued to the unsuccessful bidder by the Project Personnel in case of Project based bidder and for others PST is responsible for the same.
- Inspection report may be required

**Where cost is above Rs.10,000,00 (requisite value for any single item)**

- Must have budget allocation specified in approved Procurement Plan. – See Section 11.1.
- Requester to complete Requisition Form - Approved by LWSIT Executive Director.
- Management Committee to decide whether Invitation to Bid (ITB) published in national and local newspapers is necessary
- Samples are not required for branded items which have well established quality standard (such as steel rods, cement etc.) or where such samples are not practical (sand, boulders made-on-the-spot doors and windows, livestock, minor forest produce etc). The items which should have samples are food grains, clothing, blankets, plastic sheets, bricks, seeds, paddy and similar items.
- Selection of successful supplier by National Office Management Committee including Executive Director.
- Purchase Order to be prepared by Procurement service team and signed by Executive Director / any two of Management Committee Members in absence of Executive Director
- Inspection Report may be required for any item. Inspection report is mandatory for construction items.
- Payment to the supplier to be disbursed after receiving the signed Challan and Goods Received Note from the authorised person received the material. Authorised person should sign in challan and GRN by full name with official stamp.
- Documentation to be maintained by PST – Kolkata National Office

**NB:**

- ❖ Above mentioned procedures may not be applicable for purchase of Short Term Emergency Response Project and the purchase procedure will be decided by the Management Committee and the Executive Director on depend upon the circumstances.
- ❖ In case of any advance payment Management Committee will judge the situation judiciously before consideration.

## 11 Details of the Procurement Process

### a. Preparing the procurement plan:

All LWSIT projects operate within the limits of an approved budget. Ongoing projects follow a schedule of preparing annual budgets but new projects and emergency appeals may be taken up at any time. Since procurement plans are based on approved budgets there will also be a difference in the timing for submission of procurement plans depending on the type of project.

1) For on-going projects (including continuing emergency response activities) a procurement plan for the entire year shall be submitted at beginning of the year once the budget/AAP is approved. It shall list the purchases which are included in the approved budget and annual activity plan. This procurement plan will specify the type and quantity of materials intended for procurement under a specific sector or budget head during the year.

See sample form attached.

Unit/Project Management Committee can tentatively estimate the cost of the items listed in their Procurement Plan, by using the LWSIT Most Likely to be Purchased Items list and current market prices in their locality. The Procurement Plan is submitted to the Department Heads and after scrutinized Department heads should submit it to National Office Management Committee with recommendation for final approval. Procurement may not proceed without approval of the procurement plan. Procurement plan should be realistic and to be implemented in time, small variances may consider.

When a revised budget or annual activity plan is prepared an appropriate revised procurement plan shall also be submitted.

2) The procurement plan must reflect available actual funds.

### b. Requisition and statement of funds available.

Requisition for all types of material and services are to be made in the printed format with all columns duly filled in and signed by the requester. It should be supported with a supplementary information sheet indicating the source of funds along with budget line. See sample attached.

If purchases have been made previously in the year, the amount is to be shown along with balance of funds remaining. For requisition(s) above Rs.250,000/-, confirmation by Finance Department that funds are available is to be obtained.

### c. Obtaining quotations

PST is responsible for collecting quotations for all purchases of National Office, and also for Emergency projects and if required for on-going project from time to time to be decided at National Office. When the purchase is for more than Rs. 250,000 two or more people should be present when the bids are opened and should sign the comparative statement, in case of sealed quotations. In the case of Project, the person nominated by the Project Level Management Committee will be responsible for collecting the quotation. For purchase involving beyond of Rs.25,000/- quotations to be invited through letters giving full description and other details like tax, freight, delivery point and time of delivery etc. of required material. Deduction of contractor tax etc. wherever applicable should be clearly mentioned in the RFQ (Request for quotation). RFQ should be sent to all the suppliers in same day. Efforts should be made to collect/invite quotations from Dealers, eligible suppliers and Government Sales Centres. When quality items are available with cost

effective at Government Sales Centres, their price list will be sufficient. **Quality and price should be judge from outside before purchase from govt. sales centre to support the cost effectiveness.**

**d. Making comparative statement of the quotations**

PST is responsible for opening the quotations and making the comparative statement of the same at National Office. In the case of Projects, the Project Level Management Committee will be responsible for opening the quotations and making the comparative statement of the same. All terms and conditions like taxes or not, delivery point and time, advance payment if any, deduction of contractor tax wherever applicable etc. should be clearly mentioned in the comparative statement.

**e. Selecting the supplier(s)**

The eligible authority as described above after studying the comparative statement of quotations will select the supplier(s) and approve the purchase by signing on the statement. For decisions of purchases involving the procurement committee, minutes of all the decisions taken is to be documented.

**f. Issuing the Purchase order (s)**

For all purchases at National Office, PST is responsible for writing the Purchase Order and the same is to be signed by the Executive Director or any two of the management committee member/s in his absence. In the case of Projects, the Project Level Management Committee or the person nominated by them will be responsible for writing the Purchase Order and the same is to be signed by the Unit/Project Manager and his absence Accounts Personnel and any of the member of Project Level Management Committee will sign the Purchase Order .

**g. Receiving the purchased items and checking them for quantity and quality**

A copy of the purchase order is to be given to the Store/Office designated for receiving the material. In cases where samples of materials being purchased are available, the same should be given to the receiving point. Based on the terms and conditions of P.O. and sample if available, the recipient will minutely check all the aspect and make note on the delivery challan before signing over it.

**h. Complete the order by making payment to the supplier.**

The recipient of material will prepare the Goods Received Note and forward it to the Cash/Accounts section for payment. In case of National Office all G.R.N. is to be forwarded to PST who in return will forward it to the Accounts section along with the Bill, signed Challan and a copy of the P.O.

**11.9 Prequalification of vendors for Preparing of Suppliers list.**

PST as well as each project/unit should prepare a genuine/reliable supplier list and copy of available documents should be obtained from the suppliers to justify their genuineness and reliability. The following documents may be obtained from the suppliers:

- ❖ Trade licence/Contractor licence
- ❖ Tax registration
- ❖ Bank Accounts
- ❖ PAN
- ❖ Credibility documents (if any)

To include any new supplier in the list the above mentioned documents also need to obtain and produce before management for consideration.

## **12 Supplier Sourcing**

For purchases of above Rs. 500,000 LWSIT will normally confine its sourcing of products and services to Pre-Qualified suppliers who have previously satisfied performance criteria as regards price and reliability. Suppliers who have not given good service will be excluded from the list of approved suppliers. This is particularly true when the supplier fails to complete the supply of goods or services according to the conditions of the purchase order without adequate justification. The Project Level Management Committee will designate a person to maintain the suppliers list as-well-as Pre-Qualified suppliers list relevant to their location and those suppliers who are specifically excluded from consideration in future purchases. In National Office these tasks will be done by the PST.

## **13 Business Conduct**

- a. Staff members are prohibited from using the power of their office or internal business knowledge for personal gain. Staff members are required to ensure that they do not behave in a manner which could be construed as being damaging to the image of LWSIT or which could bring a real or perceived advantage to a single supplier. While conducting business on behalf of the organisation or related commercial affairs external to the organisation, staff members shall proceed with caution and good judgement, and maintain an unimpeachable standard of integrity.
- b. Project Level Management Committee Members, National Office Management Committee Members and PST are to decline any outside interests or business relationships that may be reasonably deemed to colour the member's impartiality in conducting his or her daily work.
- c. Project Level Management Committee Members, National Office Management Committee Members and PST are to declare any business relationships that members of their family and relative may have with suppliers with whom LWSIT engages, or may engage in a business.
- d. Inside knowledge obtained during the course of duty should be held in the highest confidence and should never be used for personal gain. Information given out during the course of duty shall be objective, factual, and not intended to mislead or give any single supplier an unfair advantage.
- e. All suppliers shall be dealt with fairly and equally. No single supplier is to be treated in a way that may prevent the effective operation of an open competitive purchasing system.
- f. All bidders should be aware of the rules. Bidding information disclosed to prospective bidders must be accurate and intended to have the same impact on all of them. Specifications must be drawn in such a way as to attract the maximum participation of all parties.
- g. For purchases above Rs.25,000/- indenting staff must not be involved in the purchase process. Their involvement is limited to providing full technical details and data. In approving samples and selecting the final supplier, the Purchase Committee may request the indenting staff for further clarification.

## **14 Business Gifts**

- a. LWSIT Programme staff are forbidden from accepting gifts or favours of any kind, other than publicity items of a purely nominal value offered by, or on behalf of, suppliers or other organisations with which LWSIT engages or may engage in business. All suppliers should be made aware of this principle. Any infringement



by suppliers must be immediately reported to the LWSIT Representative for appropriate action.

- b. Any gifts other than publicity items of a purely nominal cost or minimal intrinsic value, offered by or on behalf of business establishments, must be declined. Examples of such items which may be accepted include company's calendars, plastic pens, key chains, diaries.

## **15 Staff Personal Finances**

All LWSIT staff engaged in the procurement decision making process is obliged to inform to the Management of LWSIT any significant changes in their financial status while in the employment of LWSIT. Examples of such changes in financial status may relate to the establishment of a new business by family members, acquisition / significant refurbishment of new/ existing residential premises. To ensure complete transparency staff involved in procurement must be willing to provide full disclosure of the means in which they have financed such acquisitions or refurbishment.

Further examples:

Motor Vehicles

Expensive electronic equipment

Overseas travel for self / family

Overseas Education for family members

Overseas medical treatment

Purchase of Land

## **16 The LWSIT Procurement Committees**

LWSIT will have one procurement committee at the National Office in Kolkata. Its members are the members of the Management committee and Procurement Manager. The Executive Director is the chairperson of the procurement committee.

Each LWSIT Unit/Project will also have a Management Committee of at least 3 members. The Unit/Project Manager will be the chairperson of the Project Level Management Committee. The project level Management Committee is fully responsible to deals with all procurement related matter of the project. The membership of each Project Level Management Committee is to be communicated to the procurement service team at headquarters at the beginning of each calendar year and any changes in the committee during the year should also be informed to the PST at National Office.

The Management Committee is a decision making body and its functions will include:

- Evaluating all bids / quotations received.
- Deciding upon successful supplier / contractors

Every Project Level Management Committee should keep minutes of their meetings and keep them on file duly signed by the members present. The minutes must record who was present and the decisions taken. The reasons for making decisions should be mentioned particularly when the lowest bid is not selected.

## **17 Procurement Service Team at National Office**

The service team reports directly to the Representative and acts as the secretariat of the procurement committee. Its functions include the following:

- To regularly liaise with the Executive Director and the members of Procurement Committee.

- Updating and maintaining the Most Likely to be Purchased Items (MLPI) list.
- Maintaining the list of Pre-qualified suppliers
- Solicit Quotations from Pre – Qualified suppliers
- Issuing tenders
- Evaluating all bids / tenders received
- Negotiating with suppliers if desired by the Procurement Committee.
- Issuing Purchase orders and Contracts
- Maintaining all records in a systematic filing system.
- Making regular follow up of orders and delivery documents.
- Ensure the delivery materials are as per sample
- Ensure the availing service within the warranty/guaranty period (wherever applicable)
- Co-ordinating payments to suppliers through Finance Department.
- Arranging samples, inspections and tests for quality certification of materials procured.
- Preparing quarterly status report on all requisitions under process.
- Monitoring/verifying of all project related purchase by periodical field visit
- To be fully responsible for all day-to-day correspondence and communications involved in the entire procurement cycle.

### **18 Responsibility of the Project level Procurement Committees**

- Solicit Quotations from suppliers
- Evaluating all bids / tenders received
- Negotiating with suppliers
- Issuing Purchase orders and Contracts
- Maintaining all records in a systematic filing system.
- Making regular follow up of orders and delivery documents.
- Ensure the delivery materials are as per sample
- Ensure the availing service within the warranty/guaranty period (wherever applicable)
- Co-ordinating payments to suppliers through Accounts Department.

### **19 Files to be maintained by the Procurement Service Team – National Office**

#### Suppliers Information

1. Name
2. Business Address including email
3. contact person
4. type of materials they deal with
5. proof that they are an authorized dealer (applies only to branded materials such as vehicles, steel, cement, paint, computers, batteries, tyres)

Past performance of regular suppliers (since the start of the PST)

List of suppliers who have provided bad service

List of Requisitions and the results

List of purchases

List of Most Likely to be Purchased Items (MLPI) with most recent prices to be updated at least once a year in early December.

Minutes of the Procurement Committee

Supporting documentation for each purchase

1. Purchase Requisition from Field Projects / Heads of Departments
2. Statement of funds available
3. Quotation request sent to suppliers
4. Bids from suppliers
5. Tabulation of bids

6. Purchase order/contract
7. All information regarding shipping, transportation and insurance.
8. Goods received note and supplier's challan
9. Bill or invoice from the supplier
10. Insurance claim (if any)
  - Copies of all claims documentation, including Protest letter, survey report etc
11. General
  - Other documents related to the particular purchase which cannot be placed in the file under one of the specified heading above.

## **20 Monitoring**

PST of National office will be monitor time to time progress of purchase and updating of documentation for both the National Office and Project Offices.

## **21 Samples of forms to be used**

- Requisition
- Supplementary information about funds available
- Purchase Order
- Goods Received Note
- Annual Procurement Plan. Should include all items where cost is Rs.5,000 and above.

### **NB:**

1. Purchase for additional requirement from same approved suppliers within the validity of quotation may consider, if it is within the value limit and availability of fund. Approval for such cases should be taken from concern authority.
2. Approval should be obtained from National Office for cancellation of purchase/work order against NO approval
3. Collection of sample along with quotation for paddy, food grains, local varieties seeds, bricks, sand, stone chips etc. is mandatory. Comments on the specification and quality of samples by Project Level Management should be sent to National Office along with others relevant documents for approval.
4. Sample is not required in case of branded items.
5. Germination and previous production report with recommendation of Project Level Management Committee is mandatory for purchase approval - in case of seeds support to farmers.
6. Adequate specification and necessary information of materials should in Requisition, Request for quotation (RFQ) and quotation.
7. All the purchase should be in proper schedule as mentioned in Annual Procurement Plan.
8. Quotation by over writing/alteration without authorized signature and without minimum required information may cancel without further information.
9. Annual budget for any items of more than Rs.25,000.00 – purchase approval should be taken from National Office.
10. If quality materials with reasonable price are available locally then emphasis can be given to purchase from locally or grower among our operational Community and Group for their financial sustainability, after cost effective analysis.
11. PST may collect online quotations, as and when required

### **EMD/Guarantee/Warrantee**

In order to ensure compliance of commitment by the suppliers/contractors/service providers LWSIT insist for EMD @5% of total value at the time of receiving purchase

orders / contracts etc. where total value is above of Rs.1 lakh, where is applicable. The EMD will be returned without interest on successful completion of supply/service If feasible depending upon the situation, EMD will be applicable even order value less than of Rs.1 lakh.

**Qualified suppliers/contactors/service providers**

Qualified suppliers/contractors/service providers are those having the authenticate documents like- licence, tax registration , bank accounts, PAN etc. to run their profession.

This Policy is subject to further revision as and when considered necessary by the Board of Trustees.

Adopted in the Board Meeting held on 22-08-2015