



YouthAid Foundation
Investing in Grassroots Entrepreneurs

YouthAid Foundation (YAF)

**Procurement
Manual**

2020

ADDRESS:

YouthAid Foundation's Head: Flat No 102, Crown Plaza, Next to Manuski,
Deccan College Road, Pune 411006

Reregistered address: Flat No. 1 A4, Gardenia Phase 3 Somanath Nagar
Vadgaon Sheri Pune 411014 Maharashtra, India. Email:

YouthAidf@gmail.com

1 INTRODUCTION

YouthAid Foundation is a Special Purpose Vehicle iniave by Centre for Youth Development and Acvies (CYDA) to promote entrepreneurial spirit among youth and women in the country and abroad. It is registered as secon 8 company in 2017. So far, the foundaon is able to train over 5000 entrepreneurs from Chhasgarh, Kerala, Maharashtra, Telangana, Karnataka, Tripura, MP, West Bengal. Even during the pandemic year, the foundaon was able to support entrepreneurs, their training, help the m to develop business plans as well as ensure their establishment stand up against all odds and sustain it. The foundaon took recourse to online training as well as produced those products to ensure that maximum enterprises survived the crisis

So the purpose of YouthAid Foundation is to train, create opportunies, fund and risk towards promote micro-entrepreneurs from marginalized communitues

2 STATEMENT OF PRICIPLES

YAF is committed to implementing and maintaining the highest standards of efficiency and integrity in the purchase of goods and services. The overriding objective for all YAF procurement activity is the prompt and effective provision of materials and services to YAF.

2.1 Roles and Responsibilities

YAF operates a system of decentralized purchasing authority under which branch programs are responsible for the management of the ir funding. The Director or head of Unit has the ultimate responsibility for ensuring that procurement. Functions are executed in accordance with the policies and procedures outlined in this document. It is also the responsibility of the unit/branch heads to ensure that an appropriate segregation of duties exists between the functions in the procurement cycle.

A Procurement Committee will be formed where members from:

1. Procurement unit
2. Finance unit.
3. Program unit.
4. And expert in the field are part of the committee.

There will be minimum three people. The *Procurement Committee* is responsible for the establishment of standardized operating procedures that:

- Locate sources of supply consistent with YAF and donor specifications and regulations.
- Avoid the purchase of unnecessary items.
- Meet budgetary constraints and requests of programs.
- avoid the purchase of unnecessary items or items already in stock.
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Based on a **fully approved** Purchase Request (PR) the Procurement Committee may:

- Initiate, conduct, and conclude negotiations for the purchase of program goods and services.
- Purchase of goods and services subject to YAF Policies.

In the course of its duties, the Procurement Committee has a responsibility to:

- Recommend changes in quality, quantity, or type of material requisitioned and suggest suitable alternatives if it is in the best interests of YAF.
- Develop and support standard specifications and processes for purchase and contracting of goods and services to provide improved service, quality pricing, and reduce time and administrative costs.
- Maintain adequate documentation of purchase transactions and procurement contracts for archival and audit purposes.
- Ensure that purchase orders and contracts are subject to appropriate reviews and approvals, and contain all necessary

information, terms and conditions, and signatures to adequately protect YAF and comply with applicable YAF and donor policies and regulations.

- Provide reports to effectively monitor and manage purchase.

SEPERATION OF DUTIES

There shall be proper separation of duties between:

- i) The person who orders a particular purchase from a vendor.
- ii) The person who satisfies that the goods supplied are satisfactory.
- iii) The person who accepts goods into store.
- iv) The person who authorizes payment.

The Purchase Committee has the authority to recommend the vendor only during the committee meeting And the chart for vendor approval is given below:-

S. NO.	Designation	Details	The person who will approve the procurement or bid under the YAF Procurement Rules cannot be a part of that Procurement Committee.
1.	Project Coordinator/Manager	Up to Rs.25,000/-	
2.	Unit Head/Project Director	Rs.25,001/- to Rs.1,00,000/-	
3.	Chief Executive	Rs.1,00,000/- above	
4.	Chief Executive	If procurement is non-project then it will be approved by chef executive.	

The Finance Manager independently reviews the purchasing documentation to verify that there is a budget and sufficient funds are available. It also ensures that records are complete and comply with YAF policies and donor regulations. Finance Unit is responsible for preparing payments and properly recording transactions in the financial records. Finance Unit has no authority to approve purchases. The unit may only *return* for correction, documentation for the following (but not limited to) reasons: insufficient information, ineligible goods or service, not feasible, or in violation of donor specifications.

With the exception of small or routine purchases as outlined in this document, all expenditures shall require pre - approval by an individual with the written authority to approve that purchase.

Pre-approval is necessary to:

- ensure that purchases meet the needs of the program or purpose for which it is being made
- avoid the purchase of unnecessary items or items already in stock.
- ensure that adequate budget provisions have been made for the purchase
- ensure that the purchase is in compliance with YAF policies and donors pacifications

2.2 Authority of Donor Specific Procurement Regulations

When required by the donor, specific procurement rules and regulations shall be followed as a supplement to YAF policies. In cases when donor requirements are more lenient than the thresholds outlined in this Manual, YAF policies are to be followed. It is the responsibility of both the Program Manager and the Finance Manager in consultation with the Director to research any specific requirements as new grants are signed and inform all affected staff members of the requirements.

2.3 Sourcing

If the requested goods are locally available, local purchasing is preferred when within reasonable limits of price margins. However the quality and pricing as well as proper bills to be ensured, if not the committee can take decision to procure from a vendor far away from the office.

2.4 Competition

YAF personnel shall be alert to organizational conflicts of interest as well as non-competitive practices among contractors that may restrict or eliminate competition. Awards at all levels shall be made to the vendor whose bid or offer is responsive to the solicitation and is most advantageous to YAF in terms of price, quality and service.

2.5 Price and Cost Analysis

Price analysis will generally take the form of a comparison of quotations, market prices or other indices. Cost analysis should ensure that each element of cost is reasonable, allowable under YAF and donor regulations, and allocable to projects based on relative benefit.

2.6 Documentation and Transparency

YAF is committed to maintaining a fair and transparent process in the procurement of goods and services. Accordingly, all steps in the procurement process shall be documented in writing using the forms outlined in this document and signed by the appropriate authorities. The documentation shall provide a clear audit trail and shall be made available as requested auditors.

3 CODE OF CONDUCT

3.1 Conflict of interest

Definition A conflict of interest occurs when an employee, officer, or agent of YAF participates in the selection, award or administration of purchases or contracts where immediate family (parents, children, siblings, wife/husband and wife/husband's parents and siblings), or partners have a financial interest in the supplier's organization.

A conflict of interest occurs when employees, officers, and agents of YAF solicit or accept cash, gratuities, favors, or anything of monetary value from suppliers or potential suppliers.

A conflict of interest occurs when suppliers participate in the development of specifications, requirements, requests for quotes, or requests for proposals (that include proprietary knowledge or equipment

It is the responsibility of YAF employees to scrutinize transactions, business interests and relationships for potential conflicts and immediately disclose them. It is possible – upon full disclosure of all relevant facts and circumstances – that conducting business when a conflict of interest exists is not necessarily adverse to the interests of YAF. YAF policy requires the existence of any conflicting interests described above *to be fully disclosed before any transaction is consummated*.

All disclosures of conflicts of interest shall be made to the Director Operations. If the Head of Unit or Director Operations has a conflict, they shall disclose to the Secretary, YAF.

3.2 Code of Conduct

The YAF Code of Conduct outlines responsibilities and procedures that promote the highest standards of integrity. Interacting with outside entities engaged in the selling of goods and services is an activity that is potentially vulnerable to fraud. It is necessary to protect YAF and all members of staff by formulating and adhering to: This guideline outlines clearly defined local procedures for authorizing requests, expenditure and invoices, obtaining quotations and tenders and disposing of assets.

All YAF employees designated with purchasing or contracting authority should understand and observe the Code of Conduct detailed below.

1. Give first consideration to YAF's best interests, objectives and policies.
2. Staff conduct should not foster suspicion of any conflict between professional duty and personal interest.
3. Decline personal gifts or gratuities from current or potential suppliers.
4. Grant all competitive suppliers equal consideration as YAF and donor specifications permit.
5. Conduct business with potential and current suppliers in an atmosphere of good faith, devoid of intentional misrepresentation.
6. Make every reasonable effort to negotiate an equitable and mutually agreeable settlement of any controversy with a

supplier and/or be willing to submit any major controversies to arbitration or other third-party review, insofar as the established policies of YAF permit.

7. Promote fair, ethical, and legal trade practices.
8. Treat all information received from suppliers in the strictest confidence.

No gifts or money should be accepted. The Procurement Committee should maintain a Gift Details where such transactions will be recorded, ensuring the transparency of relations of this nature with vendors.

3.3 Confidentiality

Under no circumstances should any contractual or pricing information be divulged to external sources or used as a 'benchmark' for independent negotiations. In some cases, such disclosure may constitute a breach of contract, specifically, a breach of confidentiality or such provisions. This behavior undermines YAF's reputation as an honest and responsible organization.

4 VENDOR RELATIONS AND SELECTION

It is YAF's policy to maintain and practice the highest possible standards of business ethics, professional courtesy and competence in all dealings with past, current and potential suppliers and vendors. In this regard, the following should be observed when dealing with suppliers and their representatives:

- Always accord prompt and courteous reception and fair and equal treatment to all vendors/suppliers and their representatives.
- Provide equal opportunity for vendors/suppliers to make price and specification quotations.
- Guarantee the confidentiality of all specifications and price quotations made by vendors/suppliers.
- Avoid subjecting vendors/suppliers to needless expense or inconvenience when requesting quotations or returning goods.
- Explain as clearly and fully as possible to vendors/suppliers the reason(s) for the rejection of their bids/proposals.
- Remain scrupulously free of obligations to any vendors/supplier.
- If, for any reason, one vendor/supplier is permitted to re-quote (submit a revised quotation), all competitors should be given the same opportunity. Re-quoting should be kept to an absolute minimum.

4.1 Vendor Selection

The purpose of evaluation and comparison of quotations, offers, and proposals is to determine which vendor has the lowest price for a given set of acceptable specifications and/or conditions. When determining if a quotation / offer / /proposal is acceptable, non-price factors (specifications and conditions) must also be considered. Having done so, the lowest acceptable quotation, offer, or proposal should be selected. Non-price factors to be considered in an evaluation for the purpose of determining the best acceptable quotation, offer, or proposal as specified in the Request for Quotations shall include where applicable:

- Compliance with technical specifications, relevant international standards and technical norms.
- Compatibility with existing equipment and standardization plans or policies.
- Compliance with required time schedules.
- Delivery times.
- Payment terms.
- Guarantees or warranties, availability of spare parts, after-sales services and training.
- Life-cycle aspects covering maintenance and operating costs.
- Capability, capacity, financial standing, past experience and performance of the vendor and its local representative.

Care should be taken to thoroughly review each supplier or vendor's quotation, offer, or proposal in order to detect problems at an early stage.

In the event of a miscalculation in a quotation, offer, or proposal, the unit price will prevail. If it is clear beyond doubt that a mistake has been made, the Procurement Manager may permit the bidder to withdraw, but not alter, the offer or proposal.

When considering the award of a high-value transaction to a vendor with whom YAF has little or no previous experience, a pre-award survey may be performed to obtain information regarding the capability, capacity and financial standing of the vendor under consideration. This can be conducted internally, or by hiring a specialized survey firm.

All steps, arguments, and considerations involved in the decision making process of quotation analysis and vendor selection must be fully justified and documented.

The Purchase Order or Service Contract shall be awarded to the qualified vendor or supplier whose quotation, offer, or proposal is evaluated to be the cheapest and meets the requirements. Any criteria specified in the solicitation documents, such as quality, delivery time, payment terms and compatibility with existing equipment, may be used to evaluate quotations, offers, and proposals.

5. EXPENDITURE APPROVAL AUTHORITY

5.1 Roles and Responsibilities for the Authority Matrix

It is the responsibility of the Executive Committee of YAF to assign approval authorities and levels for each field office. Certain authorities must be reserved for the Director.

It is critical that an employee be informed of their level of approval authority when employment begins and when changes are made to the Authority Matrix. The employee's Line Manager should convey this information, with the ultimate responsibility for informing employees resting with the Director

5.1 Accountability for Approval

It is important that YAF employees with approval authority understand the responsibilities that are associated with signing purchasing documents. Approvers should take the time to carefully review the documentation and should return documents which do not follow established policies or procedures. By signing the purchase request, the Approving Manager accepts responsibility that:

- The expenditure is necessary and appropriate.
- The item is not currently in stock.
- The technical specifications are correct and adequately detailed.
- The required forms are complete.
- Funds are available to cover the cost of the intended purchase.
- The expenditure is in compliance with any guidelines stated in the grant agreement.
- By signing for financial review, the Finance Manager or designee accepts responsibility that:
 - The expenditure is in compliance with YAF and donor policies.
 - The expense has been authorized according to the Approval Authority Matrix.
 - The expenditure is within budget guidelines.
 - The expense has been coded correctly.
 - The calculations are correct.
 - The required supporting documentation is in order.

6. PROCEDURES FOR PROCUREMENT OF GOODS

Definition of goods

The term "Goods" in this manual will be used for merchandise, supplies and commodities that will be purchased by YAF for later use through the procurement process described below.

6.1 How to initiate a Purchase

All procurement will be made following sound purchasing practices regardless of the purchase cost. Procedures and documentary requirements become more stringent as purchase costs increase.

6.2 Small value purchases (Small value purchases and YAF procurement limitations)

Up to the estimated value of Rs.5000/-, the Procurement Staff – or in extraordinary circumstances – Administration or Program staff can obtain an operational cash advance for making small value purchases directly with the approval of the head of unit.

- i. If the purchase value is up to Rs.25000 then we can purchase it in **single/two/three** quotation also.
- ii. Purchase up to Rs.25000 can also be approved by Project Coordinator or Unit Head.
- iii. We will not need to constitute a procurement committee to do purchases up to Rs.25000.
- iv. Where there will be a purchase of more than Rs.25000, the formation of Procurement Committee is mandatory.

6.3 Regular purchases

Purchases with an estimated value of Rs. 5000/- and up to Rs 25,000 are initiated by submitting a completed Purchase Request and approved by Project coordinator/Director. Before any request can be executed, it must undergo the following process:

- If in doubt of technical details for requested goods, consultation with suitably qualified staff.
- Requirement and technical review by the Project (or suitably qualified) Manager.
- Financial review by the Finance Manager.
- Approval by the Project Manager or the next level of approval authority depending on the estimated value of the commitment.

6.4 Documenting the procurement of goods

All procurement activities must be fully and transparently documented. This is the sole process used by YAF to manage its procurement processes and demonstrate to donors that funds are being responsibly committed. A completed purchase must be supported with a fully cross-referenced “stand alone” file. Documentation must be completed fully and accurately in every case. Any anomalies or deviation from policy or procedure in a purchase must be documented with a signed (at minimum, by the Manager) explanatory “note to the file”. Full supporting documentation must answer any question that an auditor or external examiner may pose, without the necessity to refer to Procurement or Finance staff for explanation.

6.5 Request for Quotation

Quotation collection methods must be standardized, to ensure efficiency and transparency. The Request for Quotation (RFQ) form ensures that all suppliers receive the same information, ensuring the quotation collection process is transparent. It can also translate the names of items, if completed in both English and local language.

The RFQ will detail all requirements that the supplier must meet for an offer to be evaluated by YAF. Complete information should be provided including, but not limited to, quantity, description, delivery requirements, special conditions, drawings, specifications, quotation due date, etc.

6.6 Quotation Analysis Purpose:

The Quotation Analysis is the document used to summarize and compare supplier offers. It also documents and details justification of the selection of a given supplier. This has to be completed by the Procurement Manager. Approved by the Purchase Committee.

The original RFQs will be submitted to the Finance Department as part of the complete supporting documentation after the Quotation Analysis is completed. The Procurement department will keep a photocopy for its files.

6.7 Purchase Order

The Purchase Order is the document confirming all details of a purchase to be made from a supplier and once accepted by the supplier, represents a legal commitment between YAF and the supplier.

- **Completed by:** The Procurement Manager or Officer.
- **Approved by:** The Head of Unit or the Director, depending on the value of the purchase.
- **Reviewed by:** The Finance Manager or Officer.
- **Accepted by:** The Vendor

6.8 Purchase Order Cancellation:

Requests for cancellation of an outstanding purchase order will be made in writing to the Procurement Manager. Requests for cancellation should include:

- the Purchase Request number
- the reason for the cancellation

Procurement will give the supplier an official order cancellation verbally, or in writing. If a vendor has begun production or has secured for delivery an article that the vendor is unlikely to sell within the vendor's normal scope of business, or if the vendor has incurred costs in preparation for production, the requesting program may be liable for such costs as the vendor may incur because of this cancellation. These costs may include payment for custom-made parts or products already completed before cancellation or restocking charges incurred for returnable goods.

6.9 Purchase Record

To provide a complete record of all procurement transactions in a fully cross-referenced stand alone file.

Issued by: The Procurement Person

Reviewed by: The Finance Manager

7. TENDERING AND CONTRACTING PROCEDURES

7.1 Types of Bid Solicitation

Supplier bids or quotations may be solicited in a number of ways depending on the type and value of the intended purchase and the time frame available to make a purchase.

Open Invitation to all interested suppliers, invitation published in appropriate national publications or websites of the organization. Used for procurement of goods with a value exceeding Rs.500,000 or contracting of services above the value of Rs. 500,000. Donor thresholds may reduce these numbers. Will generally yield better pricing than Invitational bidding but requires a lot of time and preparation.

Invitational (or Restricted) Known suppliers contacted (based on past performance quality and related factors),

low bid offer accepted. Along with negotiated procurement, this is the most commonly used for large- volume purchases. Generally yields reasonable price offers, though it does take time for preparation and delivery and involves a moderate amount of work.

Negotiated A small number of potential vendors are approached and specific price or service arrangements are directly negotiated. This method is most applicable to low- volume or emergency purchases. Prices may be less favorable though delivery times should be short.

Direct The simplest but usually the most expensive procurement method. Items are purchased from a single supplier at the quoted price. This should only be applicable to emergency purchases. Pricing may be unfavorable but delivery times will be short and the workload involved will be low.

Sealed Bid Used to preserve the integrity and fairness of supplier selection; will be used for all invitations for purchases over Rs.50,000 for procurement of goods

In all methods, tender documentation and the conduct of procurement staff must be transparent. Any perception of unfair or corrupt practices may well discourage reputable suppliers with the effect that

YAF may not receive the best products or prices.

7.2 Procedures for Tenders

Tendering, especially open tendering can be a costly, complex and time-consuming process. If not conducted correctly, it wastes time and money and in some situations may even carry legal ramifications. YAF will generally use the open tender process for:

- Construction contracts.
- High value purchases.
- Large purchases where YAF has little or no product or market knowledge.
- Where required to do so by donors' specifications.

Tenders received after the closing date should be returned unopened to the respective supplier. In circumstances where the fault or delay is not attributable to the supplier, the bid may be accepted and the reasons recorded. This also applies to any offers opened in error prior to the closing date.

Appoint a Tender Panel of at least 3 people to oversee and witness the tender openings and record the details on the Quotation Analysis Form for invitational tenders and the Tender Opening Summary form for open tenders. The panel will generally include the Procurement Manager, the Program Manager and specialists.

Following evaluation of Tenders, a Letter of Acceptance and a YAF Purchase Order or contract is issued to the successful supplier. In cases where best value is being obtained through acceptance of an offer which is not the lowest, the reasons must be agreed by the Tender Panel and documented.

YAF Terms and Conditions should always be used in orders or contracts for the supply of goods or services. This is achieved through the processes of inviting Tenders or issuing Requests for Quotations.

7.3 Contracts

A "contract" may take the form of a verbal agreement, or a document that details every aspect of an agreement. While verbal agreements may be legal, they are very difficult to enforce and prove; for this reason **YAF will work only with written contracts**. For the most part, a YAF Purchase Order in conjunction with YAF Terms and Conditions provides adequate documentation for standard or routine purchases.

7.4 YAF contracts

Situations that require a “full contract” to be drawn up:

- In simple terms a full contract will be drawn up when payments, delivery or guarantees are to be made/provided in whole or in installments in the future. There should be a contract if at any point in a transaction either or both of the parties are vulnerable to loss should the agreement not be met.
- When a simple PO or Service Contract does not physically facilitate full documentation of the agreement.
- When non-standard YAF terms and conditions are agreed to.
- When the purchase value is greater than 5,000 for procurement of services.

Contracts also serve as evidence to YAF, donors, and auditors that all reasonable precautions have been taken to safeguard funds. The contract documents the elements of the agreement and is the basis of any recourse to law in the event of a dispute. It is clear that care must be taken when drawing up a contract of any sort. Any omission, inconsistency or ambiguity in a contract may render

it useless should it be presented to a court of law.

7.5 Terms of Payment

Choices may include: total contract value, advance payments, installment payments, and final payments. State where and when payments are to be made in what form and to whom. State who is responsible for bank or legal charges, taxes and duties.

If advance payments or installment payments are made to a supplier, every effort to minimize YAF’ exposure to risk must be made. For example, if a builder is contracted for a project, the maximum advance payment (mobilization fee) should be in the area of 10-25 % of the contract value i.e. the minimum to get the project started. Any payments prior to completion of the contract should not exceed the value of work already completed and final payment should be withheld until the YAF representative is wholly satisfied with the work.

7.8 Penalty Clauses

If a penalty clause is included in a contract, ensure that it is clear and precise. Similar to the contract, ambiguity may make it impossible to invoke a penalty clause. A penalty clause must also be realistic and enforceable. Transactions requiring contracts will involve some degree of trust by all parties involved. You should include a local attorney for legal reviews of every contract above the value of Rs.500,000. If you have any doubts concerning any element of a contract, seek legal advice from YAF counsel before committing YAF to the contract.

7.9 Construction Contracts

Construction contracts over 200,000 are subject to contractor selection based on a sealed bid process. This level should be further reduced if there is any need to demonstrate fair and competitive practice on the part of YAF. Because of the many requirements and associated risks of construction, construction contracts are among the more difficult of contracts to draw up. A typical contract may consist of the following documentation,

- Letter of Award.
- Contractual Agreement.
- Terms and Conditions of the contract.
- Technical drawings and specifications.

Many construction contracts involve advance payments (mobilization fees) and partial payments as stages of the job are completed. If mobilization fees are paid, great care must be taken to protect YAF’ interests in the event of contractor default. Mobilization fees must be kept to a minimum, 10 – 25% of the contract value maximum (depending on the up-front expenses that will be incurred by the contractor). The mobilization fee must be tied to a “start date” beyond which the contractor forfeits a penalty.

For significant contracts, (over Rs.500,000) it is good practice to require the contractor to issue a Performance Bond (based on a percentage of the total contract value) in favor of YAF. This can be any irrevocable financial instrument. The bond will be returned to the contractor on certification of final works or warranty period.

Interim (tranche) payments must be linked to clearly defined inspection criteria. Rather than paying tranche payments in full, it is often advantageous to retain a percentage of each tranche against the risk of contractor default. If a contractor defaults before completion of works, YAF will incur the additional cost of identifying and engaging a new contractor. Withholdings against each tranche ensures that YAF is covered wholly or at least partially against the additional costs of a contractor default. Final payments are generally made some period of time after completion of works.

This period, whether tied to warranties or not, must be clearly defined.

- Penalty clauses must be realistic and enforceable.
- Large construction contracts must always be drawn up by experienced individuals and should be reviewed by a legal counsel.

7.10 Lease Agreements

Authority to enter into building or equipment leases is based on the guidelines of the Approval Authority. The proposed lease agreement should be accompanied by a Purchase Request and include at minimum the following:

- Term of Lease.
- Monthly rental.
- Total amount of rental.
- Security deposits (if any)
- Responsibility for maintenance.
- Options for termination of the lease.

In those instances where need for a facility has not been previously established and justification for the proposed lease is not obvious, a memo describing the need and justification for the lease should accompany the proposed agreement. Prior to approving the proposed lease agreement, the Director, Procurement Manager and the Finance Manager will review the proposed lease to:

- Ensure that such a contract is allowable under YAF and donor regulations.
- Ensure the contract contains clauses, which adequately protect YAF.
- Establish the competitive nature of the purchase.
- Analyze lease versus buy options.
- Does not exceed the period for which funding has been secured

Note that leases are budgeted on the totality of the commitment, not the monthly rental price and will generally be subject to competitive purchasing regulations.

7.11 Consultants

Consultancy agreements on local level should be documented on Service Contracts.

7.12 Completion Reports

Reports are used to document completion of services according to contractual agreements. The completion report should be filed by YAF staff members that are familiar with the arrangement between YAF and the service provider. Staff issuing completion reports must be familiar with the technical aspects of the contracted services and be in a position to make a proper analysis when deciding the level of completion. For a new completed structure (e.g. a school, health facility, major project sites, etc.) the completion report includes a detailed quantity survey report that is prepared by a suitably qualified engineer. The Project Manager will verify the data provided

by the engineers. In cases where payments are to be issued in installments, a completion report that states the appropriate level of completion of service or activity must support each payment.

8. PREFERRED SUPPLIER AGREEMENTS

Preferred Supplier Agreements are agreements between YAF and pre-qualified outside suppliers and vendors in which the suppliers and vendors agree to provide value-added (lower prices, monthly billing, etc.) goods or services to YAF in return for preferred status as a YAF supplier. These agreements are primarily made for repetitive supply arrangements. Such value-added support to YAF does not necessarily exist purely in the form of lower prices but can also be reflected in the following ways, using radio communications equipment as an example:

- Pricing Terms (e.g. raise the general discount) Credit Terms
- Keep a pre-defined emergency stock level of particular equipment for YAF
- Customized kit-form recognition and supply
- No fees for programming frequencies prior to dispatch
- No Packing and Handling Fee (not to be confused with no shipping fee)
- Fixed freight schedule for defined destinations
- Purchase orders directly from YAF country offices
- Sales / Technical support provided directly to country offices
- Technical/product training for YAF employees (e.g. 1 week per agreement year)
- Free assembly and programming of repeaters

It should be clearly understood that Preferred Supplier Agreements are not the same as Sole Source purchasing. Sole Source purchasing refers to a fully documented process of procurement where either limited or alternate suppliers were unavailable at the time. Preferred Supplier Agreements can offer a number of advantages to YAF; namely:

- Speeds up the procurement process by eliminating the 3-bid requirement for each and every individual purchase of a good or service.
- Places YAF in a stronger position to negotiate prices and terms with the supplier.
- Allows YAF to develop standard YAF specifications with the supplier.
- Reduces administrative costs and time.
- Allow closer control and monitoring of YAF / Supplier relationships and associated compliance issues.
- Allows YAF to maintain standardized equipment.

8.1 When to use Preferred Supplier Agreements

Typical examples of where Preferred Supplies could be used are:

- Vehicle fuel stations
- Vehicle maintenance workshops
- Travel Agents
- Stationary/office supplies vendors
- Repetitive supply of program materials
- Vehicle Rental Companies
- Specialist new vehicle suppliers
- Radio Communication equipment suppliers
- IT equipment suppliers
- New specialty vehicles(4x4)

8.2 How to Choose and Document Preferred Suppliers

There are various forms of Preferred Supply Agreements, such as: Indefinite Quantity Contracts, Blanket Orders, and Frame Agreements. Given the uncertainty of YAF' equipment requirements during a specified period of time, agreements of a contractual nature are difficult to establish and

may even prove disadvantageous to YAF. This does not however preclude the establishment of informal Frame Agreements based on a Memorandum of Understanding between YAF and a supplier. Many suppliers will already be familiar with such Frame Agreements and can provide a template or example with which to begin the process.

The establishment of any Preferred Supplier Agreement must in itself be the subject of a competitive process with the decision to appoint any one supplier being fully justified and documented. Selection procedures should be initiated with Request for Proposals based on a standard basket of services and follow standard sealed quotation tender procedures. Selection of preferred supplier agreements will be scrutinized by internal and external auditors. Extra care should be taken that the selection process is conducted and documented properly.

Preferred Supplier Agreements should be reviewed at least once every twelve months.

9. PROCUREMENT FILING PROCEDURES

Every step of the procurement process must be clearly and transparently documented. The guidelines below must be implemented in every YAF office. The Finance Department requires a complete set of procurement documentation to support payments made. This documentation will be inspected by internal and external auditors and also form part of the “checks and balances” of the procurement process. The Procurement Department must possess copies of the supporting documents for the purpose of future cross-references.

The Procurement Manager will maintain a COMPLETE FILE for each purchase. In general, the originals of the procurement forms and documents will be forwarded to the Finance department, with a copy of these documents held by the logistics and procurement departments.

9.1 Purchases below the value of Rs.15000

- Copy of Purchase Request Form
- Copy of Invoice(s)/Receipt(s)
- Copy of Goods Received Note
- Copy of Purchase Record
- Copy of Payment Disbursement Voucher stamped PAID by Finance Department.

9.2 Purchases between the value of Rs.15001 & Above

- Copy of Purchase Request Form
- Copy of Request for Quotation – written specifications to vendors
- Copy of at least 3 bids or approved justification for not receiving 3 bids for purchases
- Copy of Quotation Analysis Form
- Copy of Goods Received Note
- Copy of Supplier’s invoices, waybills, delivery notes or other documentation.
- Copy of Purchase Record
- Copy of Payment Disbursement Voucher stamped PAID by Finance Department.

The closure of each Purchase Request will be finalized by the completion of the Purchase Record, which is a complete cross-referenced stand-alone file of each purchase. A copy of the Purchase Record will be sent to the Finance Department accompanying the original with all the procurement forms, and to the Originator of the Purchase.

9.3 Contracts and tenders

- Copy of Invitation to Tender – written specifications to vendors
- In case of open tender a copy of the advertisement of the Invitation to Tender

- Copy of at least 3 bids or approved justification for not receiving 3 bids for purchases
- Copy of Quotation Analysis Form with attached Compliance Check Report
- Copy of signed and approved contract and/or tender documents.
- Copy of completion report from Program Department, validating each payment.
- Copy of the contractor's invoice for each (i.e. advance, partial or final) payment.
- Copy of Payment Disbursement Voucher stamped PAID by Finance Department.

9.4 Preferred supplier agreements

- Copy of Purchase Request with preferred supplier information clearly stated in relevant sections.
- Copy of the supplier's invoice for each payment.
- Copy of Payment Disbursement Voucher stamped PAID by Finance Department relevant to each payment.

10 SPECIALCIRCUMSTANCES

It is important to strictly adhere to the procedures outlined in this manual and keep exceptions to an absolute minimum. The Director, or his/her delegate, must approve in writing all exceptions to policy.

10.1 Sole source procurement

Sole Source purchasing refers to a fully documented process of procurement where either limited or no competition was available at the time. The following are reasons recognized by YAF for the justification of sole source procurement. They are not exclusive of other considerations. Each sole source procurement action must have a documented, legitimate reason for the sole source procurement. Proper use of a preferred supplier (see chapter 10) is not sole source procurement.

- When the item or service to be purchased is truly unique and is available only from a single source;
- When the donor authorizes such a purchase based upon documentation submitted prior to initiation of the purchase;
- When competition is solicited but only one quotation or proposal is received;
- When an emergency precludes the use of normal competitive procedures.

10.2 Emergency

Emergency is defined as an unexpected situation that is so compelling that, if not corrected immediately, would endanger life, property or adversely affect essential operations. The emergency is so great that it precludes procurement using normal procedures, use of normal contracting methods and obtaining advanced approvals normally required for the procurement action. An example of an emergency is a flood crisis where essential life saving materials must be procured immediately in order to save lives of refugees.

Urgent need due to delay by those responsible, failure to plan adequately or inconvenient procedures does not constitute an emergency.

The frequency of procurement activities under these circumstances should be kept as low as possible. An explanatory note to file will need to be written by the Head of Office, reviewed by the Country Director to complete the documentation of purchases during an emergency situation.

10.3 Procurement from the Black Market

YAF policy is to not make purchases from the black market. The black market is considered to be a business operating in an illegal manner (but not necessarily an unlicensed business). Examples of the black market include the sale of stolen or smuggled goods, illegal money changing, and requiring cash payments for large purchases when there is a working banking system (generally done to avoid paying taxes), etc. However when it is difficult to get a printed bill, due to remote area or difficult circumstance, the Line manager signatures to be obtained in the purchase bill. Such bill will be accepted only for the amounts which are less than Rs5000/-.

11 AMENDMENT TO THE MANUAL

The manual can be periodically updated to reflect current circumstances and new policies and procedures. The concerned staff will be notified of updates by e-mail. Senior Management Team will discuss the amendments and will submit to the Executive Committee of YAF. All amendments will have to be approved by the Executive Committee of YAF.



P L Mathew
Chair Person
YAF Pune

