

# Mercy Hands for Humanitarian Aid

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## PROCUREMENT POLICY

July 2022

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## **PURPOSE**

The purpose of this policy is to ensure that goods and services purchased for Mercy Hands projects and activities are done so in a cost-effective, transparent manner, in compliance with Iraqi laws and donors' regulations.

## **DEFINITION OF EXPRESSIONS**

**Advance Payment:** Payment made before goods/services are delivered. Advance payments may only be made in exceptional circumstances.

**Bid Opening Committee (BOC):** Executive body within Mercy Hands that is made of three senior staff members, assigned by the Executive Director. BOC opens and reviews bids or proposals submitted through the formal solicitation process, i.e. purchasing goods or services \$10,000 or above.

**Bid Analysis Committee (BAC):** Executive body within Mercy Hands that is made of three senior staff members, assigned by the Executive Director. BAC analyzes and selects bids or proposals submitted through the formal solicitation process, i.e. purchasing goods or services \$10,000 or above.

**Competitive Bidding:** Process of bidding for all goods and services whose value is equal to or above \$US10,000. Under a competitive bidding process, contracts are awarded only after the invitation for, and the assessment of, at least three quotations or bids. Any exceptions from competitive bidding procedures, such as sourcing from a sole supplier, must be justified in writing and authorized by the Executive Director. The Invitation to Bid (ITB) and Request for Proposal (RFP) are formal solicitation methods with defined requirements and clear parameters for contract award. They must be used for tenders of \$US10,000 or more.

**Emergency:** Unexpected situation that is so compelling that, if not addressed immediately, it would endanger life, damage property, and/or adversely affect essential operations. The emergency situation is such that it precludes requisitioning through normal supply channels, use of normal contracting methods and obtaining advanced approvals normally required to respond to the situation. Examples include a sudden influx of refugees, or a fire or flood in a refugee camp. However, an urgent need arising due to delay by those responsible or failure to plan adequately does **not** qualify as an emergency.

**Framework Agreement:** Agreement between Mercy Hands and a supplier which sets out the terms and conditions under which specific purchases (or 'call-offs') can be made throughout the term of the agreement. Under this type of agreement, the Supplier is obliged to provide goods/services whenever requested but the Requestor is not obliged to request.

**Goods/Services Contract:** Legally binding agreement between two or more competent persons/parties to perform or not to perform a specific act(s). It generally takes the form of a written agreement made up of an offer by one party and the acceptance of the offer by the other party. A procurement contract is legally binding for each party and includes the terms and conditions of the agreement between buyer and seller, serving as proof of their obligations.

**Incoterms:** International Commercial Terms – standard trade terms defined by the International Chamber of

Commerce, used internationally to specify the obligations for delivering goods in international contracts.

**International Procurement:** Procurement of goods or services from outside the country of operation where the supply requirement is located.

**Invitation to Bid (ITB):** Solicitation document for procurement of goods or services with standard and firm specifications, in which the requirements for formal competitive bidding are specified.

**Local procurement:** Procurement of goods or services from within the country of operation where the supply requirement is located.

**Procurement Unit:** An organizational body within the Logistics and Security Department, headed by the Director of Procurement.

**Procurement File:** A typical “stand-alone” file that contains all relevant documents for each procurement.

**Procurement process:** Process which includes specification of requirements, sourcing, evaluation of offers/proposals, contract award, inspection, delivery, installation, and commissioning, resulting with the provision of goods and/or services.

**Purchase Order:** Legally binding document that serves as an agreement for the procurement of goods or services.

**Quotations Analysis Committee (QAC):** Executive body within Mercy Hands that is made of three members, headed by the Director of Procurement. The other two members are the Program Manager and the Finance Officer. QAC reviews and analyzes quotations under the informal solicitation, i.e. purchasing goods or services below \$10,000.

**Request for Proposal (RFP):** Solicitation document designed to obtain proposals for goods and services to satisfy a requirement that cannot be described in a quantitative or qualitative manner. An RFP leads to the selection of the proposal that offers the best value in accordance with the pre-defined evaluation criteria. Where appropriate, the RFP will indicate that negotiation may be undertaken in respect of the preferred proposal.

**Request for Quotation (RFQ):** Solicitation document designed to obtain proposals for goods and services that describes the requirements both quantitatively and qualitatively. An RFQ requests prices and commercial terms from vendors for goods/services that meet neutral specifications and are usually readily available on the market.

**Requestor:** Person or unit within Mercy Hands submitting a request for the procurement of goods or services.

**Purchase Requisition Form (PRF):** Standardized form containing detailed specifications of the required goods, which is completed by the Requestor and duly authorized, in order to initiate the procurement process by the Logistics Department.

**Vendor (or Supplier):** Provider of goods or services.

## SCOPE

This policy applies to all programs, projects and activities implemented by Mercy Hands, whether funded by organizations or private donations, or through official agreements.

## RESPONSIBILITY

All staff involved in procurement must know the details of this document. Failure to comply with the procurement policy will result in disciplinary actions. Employees who fail to comply with the procurement policy will be held responsible for the financial losses that may result from non-compliance. The Board of Directors and the Executive Administration write and review the Procurement Policy.

## CODE OF CONDUCT

- In relation to procurement, Mercy Hands has set up two codes of conduct, one for Mercy Hands staff and another one for Mercy Hands suppliers (Annexes 1 and 2). The Code of Conduct shall govern the performance, behavior, and actions of Mercy Hands suppliers and staff engaged in any aspect of procurement, including – but not limited to – purchasing goods and services, awarding contracts and grants, or the administration and supervision of contracts.
- The Staff Code of Conduct is included in the HR package for new staff and, as part of the onboarding process, the new staff must submit a signed copy of the code of conduct to the HR department. As representatives of Mercy Hands, all employees are expected to conduct themselves in a professional and ethical manner, upholding a high standard of integrity and the use of good judgment. Employees are expected to be honest and decent in their business interactions and general behavior both inside and outside of Mercy Hands
- Mercy Hands publishes the Supplier Code of Conduct as part of any tender announcement. Mercy Hands encourages suppliers to sign the Mercy Hands' Supplier Code of Conduct as a part of the supplier registration process.

## CORE PROCUREMENT PRINCIPLES

- **Best Value for Money:** Goods and/or Services supplied should be of the required quantity and quality, available within the time required and at the lowest acceptable cost in order to deliver the best value for money. Mercy Hands will purchase all goods and services on the best terms consistent with the required quality and delivery time, and optimum value for money.
- **Responsiveness:** Delivery time often becomes the critical factor in emergency situations, especially during “rapid onset” or acute emergencies. Should a particular situation dictate a rapid response, the situation should be documented— as with any purchase— noting the reasons why standard operating procedures were not followed.
- **Transparency:** A transparent system has clear rules and mechanisms to ensure compliance with those rules

(including unbiased specifications, objective evaluation criteria, standard solicitation documents, equal information to all parties, confidentiality of offers, etc.). All business opportunities should be made widely known to all potential suppliers, usually by way of advertisement. Records are open, as appropriate to inspection by auditors; unsuccessful suppliers can be briefed on the strengths and weaknesses of their own offers. Transparency ensures that any deviations from fair and equal treatment are detected very early, and makes such deviations less likely to occur. It thus protects the integrity of the process and the interests of Mercy Hands.

- **Automation:** All Mercy Hands procurements are automated by using Precoro, which is an efficient purchase-to-pay software.
- **Fairness:** All interested suppliers shall receive fair and impartial consideration. All sourcing and delivery operations should be able to withstand the test of public scrutiny. They should be conducted fairly, honestly, and transparently, consistent with equitable practices.
- **Localization:** Preference is given to procurement of goods or services manufactured in the area of operation or readily available locally in the quality required at competitive prices, to support the local economies of areas hosting refugees or other persons of concern.
- **Best interests of the Organization:** This means that the ultimate objective of procurement is to add value to the organization in fulfilling the mandates of its donors to best serve persons of concern. This also means carrying out procurement activities in the manner that best enables Mercy Hands to reach the general and specific objectives in compliance with applicable procurement procedures by maintaining the highest credibility and reputation of Mercy Hands and its donor agencies.
- **Green Procurement:** Mercy Hands will strive to purchase goods or services that protect the environment, neutral, or at least less harmful than the conventional goods or services. Green Procurement will be one of the competitive scoring factors in any procurement bidding process.

Adhering to our procurement policy is the best way we have found to honor these principles.

## **ORGANIZATIONAL STRUCTURE AND DUTIES**

The following organizational structures and officers are involved in the management of procurement in Mercy Hands:

- **Executive Administration:** Headed by the Executive Director. The Executive Director assigns the members of the Bid Opening Committee (BOC) and Bid Analysis Committee (BAC). BOC and BAC members should be replaced every six months. The Executive Director is the only one who can edit Procurement Policy and Procedures. Any edits to Procurement Policy and Procedures shall not be enacted unless approved by the Board of Directors.
- **Logistics and Security Department:** Headed by the Director of Logistics and Security. His involvement in procurement is limited to supervising and monitoring the performance of Director of Procurement, Procurement Officers/ Logisticians, and program staff involved in procurement.

- **Procurement Unit:** An organizational structure within the Logistics and Security Department, headed by Director of Procurement. The Director of Procurement is responsible for managing and guiding all procurement activities in Mercy Hands. The Director of Procurement trains all staff involved in procurement on all elements of procurement policy and procedures. The Director of Procurement chairs the QAC. The Director of Procurement does not: 1) Select suppliers – but can vote on selecting the winning supplier within the QAC; 2) interfere in the decision-making process of BOCs and BACs; 3) pay suppliers; and 4) receive or deliver purchased goods or services.
- **Finance Department:** Headed by Director of Finance, who manages a team of Finance Officers. The Director of Finance is responsible for allocating and releasing funds for approved purchase requests. Each Finance Officer is assigned to one or more projects. The Finance Officer works with the purchase Requesters to develop PRFs, MRFs, and Pos. The Finance Officer also coordinates with the Procurement Officers/ Logisticians for money transfers and liquidation of money advances.
- **Committees**
  - Quotations Analysis Committee (QAC): Executive body within Mercy Hands that is made of three members, headed by the Director of Procurement. The other two members are the Program Manager and the Finance Officer of a project. QAC reviews and analyzes quotations under the informal solicitation, i.e. purchasing goods or services below \$10,000, fills out the Bids Comparison Form (BCF) and accordingly selects the most suitable offer.
  - Bids Opening Committee (BOC): Executive body within Mercy Hands that is made of three senior staff members, assigned by the Executive Director. BOC opens and reviews bids or proposals submitted through the formal solicitation process, i.e. purchasing goods or services \$10,000 or above.
  - Bids Analysis Committee (BAC): Executive body within Mercy Hands that is made of three senior staff members, assigned by the Executive Director. BAC analyzes and selects bids or proposals submitted through the formal solicitation process, i.e. purchasing goods or services \$10,000 or above.

#### **SEGREGATION OF DUTIES IN PROCUREMENT TO PAYMENT CYCLE**

- Mercy Hands has established a system of segregation of procurement and payment functions with clear distinctions of authority and responsibility.
- No single individual has complete authority over one purchase and payment; rather the power is divided among different individuals and departments.
- All individuals involved in procurement and payment shall be accountable for their acts or omissions and liable in case of negligence or misconduct.
- The delegations should be responsive by locating decision making authority nearer to the activity. When needed, the Executive Director may assign more than one QAC, BOC, and BAC.
- Decisions within QAC, BOC, and BAC are taken unanimously. If the members of a committee fail to reach a unanimous decision, then the Executive Director or a higher authority will intervene to facilitate the reach of a unanimous decision.



### Authorization Schedule

- The Board of Directors decides on the authorization schedule of monetary limits of the authorization levels given to individual employees, while the Executive Director ensures the implementation of the set authorization schedule. The authorization schedule may not be circumvented in any way. A copy must be kept for audit purposes, and the dates of any changes must be documented to maintain a complete audit trail.
- The authorization schedule must clearly distinguish two functions pertinent to procurement: 1) To make purchase commitments for the purpose of procuring goods and services; and 2) To make or approve cash or bank disbursements.
- In order to segregate duties and establish appropriate internal controls, a Mercy Hands' employee will only be authorized in one of the two functions, i.e. either commitment or disbursement, or one monetary limit.
- Purchases or payments may not be divided or delayed in order to avoid obtaining the correct level of approval.
- The Executive Director will inform the Board of Directors of any change in the position of the authorized employees and in turn the Board will review and update the Authorization Schedule in a timely manner.
- The following is Mercy Hands' Authorization Schedule for Iraq, including Kurdistan Region.

Authorization Amount (USD)	Formal Solicitation (Yes/ No)	No. of Quotes	Need RFQ, ITB, RFP?	Approval of ITB/ RFP Authority	Selection of Vendor Authority	Payment Authority
0 – 9,999	No	At least 3 quotes	RFQ	-	QAC	DF
10,000 – 99,000	Yes	At least 3 quotes	ITB or RFP	DP	BAC	DF
100,000 – 199,000	Yes	At least 8 quotes	ITB or RFP	DP, DLS, and DF	BAC + ED	DF + ED
200,000 and above	Yes	At least 8 quotes	ITB or RFP	DP, DLS, DF, and ED	BAC + ED + BoD	DF + ED + BoD

**Abbreviations: RFQ= Request for Quotations; ITB= Invitation to Bid; RFP= Request for Proposals; DP= Director of Procurement; DLS= Director of Logistics and Security; QAC= Quotations Analysis Committee; DF= Director of Finance; BAC= Bid Analysis Committee; ED= Executive Director; BoD= Board of Directors**

## **PROCUREMENT STANDARD OPERATING PROCEDURE**

The following purchasing procedures apply to any procurement, be it fixed assets, equipment, advertising materials, maintenance/repairs, property (including rent) and/or other services.

**Process Philosophy** – The greater the cost of the procured goods, the greater the number of steps and people involved in the process. This will make it more difficult for any one person to bend the process to his/her personal advantage.

**Note:** the donor agencies may at times establish processes that are different from MH SOP. It is the responsibility of the Director of Procurement, in coordination with the Program Manager, to discuss and agree with the donor agency on which policy to apply – prior to the purchase of any goods or services related to the funded project.

### Application of formal and informal solicitation methods with distinct thresholds

- Mercy Hands applies clear and straightforward thresholds to make decisions on the application of informal and formal solicitation methods without prejudice to the provision related to waiver of competitive bidding. The threshold for formal solicitation method is 10,000 USD or equivalent in local currency. When Mercy Hands undertakes procurement using funds from a donor agency, the applicable threshold that triggers a formal solicitation method shall not be materially higher than the threshold set by the donor agency.
- In case of emergency levels 2 or 3 declared by United Nations in a country, when exigencies arise in emergency operations, Mercy Hands is entitled to automatically apply a higher threshold for formal solicitation methods for a period of 6 months following the declaration of the emergency response in order to effectively satisfy the needs of the persons of concern. The increased thresholds that trigger a formal solicitation method shall not be materially higher than the threshold set by donor agencies for emergency situations. Any change in procurement thresholds must be approved by the Director of Procurement, Executive Director, as well as the donor agency prior to enacting it.

### Informal solicitation method

- Such procurement does not require a formal competitive bidding process; i.e. a simple Request for Quotation (RFQ) is sufficient.
- As many vendors as possible shall be invited to submit their offers in order to obtain no less than 3 valid quotes, unless a lower/lesser competition is duly justified.
- A minimum floating time of three working days shall be granted to vendors for submitting their offers.
- Quotes shall be provided in writing and can be submitted in the form of an e-mail, letter or fax, but they can be opened only after the deadline for submission expires.
- During the execution of an informal solicitation method, the basic procurement principles shall be observed.

#### Purchase of Goods & Services under \$10,000

1. Requester (usually a Program Manager) completes the Procurement Request Form (PRF) on Precoro and submits it to the Director of Procurement for review and approval.
2. The Director of Procurement reviews the PRF and makes sure it is complete and the purchase request follows policies and procedures.
3. Once approved by the Director of Procurement, the Requester will fill out a Money Request Form (MRF) and submit it along with the completed PRF to the Finance Officer for review and signature.
4. The Finance Officer will submit the MRF and PRF to the Director of Procurement for signature.
5. Upon signing, the Director of Procurement will submit the MRF and PRF to Director of Finance for signature.
6. Upon signing by the Director of Finance, the Finance Officer will transfer money advance to the designated Procurement Officer/ Logistician.
7. The Procurement Officer/ Logistician obtains at least 3 written quotations for the required services/ goods (RFQ). These quotations do not have to be sealed and can be emailed.
8. The quotations are submitted to the Quotations Analysis Committee (QAC) for review. The QAC will review the submitted quotations, complete the Bid Comparison Form, and decide on the selected supplier.
9. Upon the selection of supplier, the Requester completes the Purchase Order and submits to Director of Procurement for approval.
10. Once the Purchase Order approved by the Director of Procurement, the Procurement Officer/ Logistician contacts the selected vendor for completion of procurement, which includes Purchase Receipt and Proof of Payment, signed by both Purchaser and Supplier.
11. The Requestor (or a delegated program staff) completes and signs the Goods Received Note. If the item is satisfactory, the process ends here. If not, the item is returned and, if needed, the second successful supplier is used.
12. Payments to suppliers may only be made upon the confirmation of the satisfactory receipt of the Goods and/or Services and fulfillment of all obligations in the Contract.

#### **Forms**

1. Purchase Requisition Form (PRF)
2. Written Bids (RFQ)
3. Bid Comparison Form (BCF)
4. Purchase Order (PO)
5. Goods Received Note (GRN)
6. Purchase Receipt (signed and stamped by Supplier)
7. Proof of Payment Form

## Formal solicitation method

- The formal solicitation method shall involve the submission of sealed/secure bids/proposals due by a publicly announced deadline.
- Ideally the tender documentation is publicly available, ensuring the fair access to all potential suppliers in the market.
- Furthermore, the solicitation documentation should include clear solicitation provisions, especially in relation to evaluation criteria. Supplier Code of Conduct should also be included in the tender documentation.
- The formal solicitation method aims for a written, contractual agreement between buyer and seller. Mercy Hands uses two formal solicitation methods: Invitation to Bid (ITB) and Request for Proposal (RFP). These represent two distinct methods of soliciting bids and proposals. The methods can be used for procurement of all types of items.

## Purchase of Goods & Services \$10,000 and above

1. Requester (usually a Program Manager) completes the Procurement Request Form (PRF) on Precoro and submits it to the Director of Procurement for review and approval.
2. The Director of Procurement reviews the PRF and makes sure it is complete and the purchase request follows policies and procedures.
3. The Program Manager drafts the Bill of Quantity (BoQ) as well as the other tender documents and submit to the Director of Procurement who will review and finalize them then submit the tender documents to Public Relations and Communication Manager for announcement in a national newspaper, online and/or on social media. The tender must be announced at least four days before the deadline for bids submission.
4. The Director of Procurement will summon the Bid Opening and Bid Analysis Committees in preparing for their work on the tender processing. The Director of Procurement orients BOC and BAC members and guide the work of the committees but will not intervene in their work or participate in their decision-making process.
5. The next business day after the deadline, the Bid Opening Committee opens the submitted bids and review their documents for completion. The Bid Opening Committee may eliminate the bids with incomplete documents or submit them with the complete bids to the Bid Analysis Committee.
6. Within the next two business days following the receipt of opened bids, the Bid Analysis Committee will meet to review the submitted bids and fill out the Bid Comparison Form, assessing the bidder's Administrative, Technical and Financial Components. The bidder with the highest score is then selected. The unsuccessful bidders are notified via email once the successful bidder has signed the contract.
7. Once the Director of Finance approves the funds, the Director of Procurement writes up a Purchase Order/Contract (depending on the type of procurement). It is then issued to the Supplier to also sign (one original copy for each party).
8. For contracts \$100,000 and above, the Director of Procurement shall assign a Quality Control Committee for checking samples of the items or service to be supplied to make sure that they meet the required quality. The Quality Control Committee consists of three members: Project Manager (Chair), MEAL Officer, and Logistician. The Quality Control Committee is also responsible for inspecting the received items or services and making sure that they meet the conditions of the contract.
9. The Chair of Quality Control Committee completes and signs the Goods Received Note, once all is

satisfactory as stated by the Quality Control Committee and according to the conditions of the PO/Contract.

10. The supplier issues an invoice, given to the Finance Department to arrange payment. Payments to suppliers may only be made upon the confirmation of the satisfactory receipt of the Goods and/or Services and fulfillment of all obligations in the Contract.
11. Proof of payment form, signed by both Purchaser and Supplier.

### **Forms**

1. Procurement Request Form
2. Tenders
3. Bid Comparison Form
4. Purchase Order/Contract
5. Goods Received Note
6. Invoice from Supplier
7. Proof of Payment Form

### Exception to the effective competition principle

Competition is normally the most effective method to ensure best value for money is achieved. Although competitive bidding is the general rule in Mercy Hands, exceptions may apply in the following cases, subject to the provision of the necessary justification:

- a) When there is no competitive marketplace for the requirement, such as where a monopoly exists, where prices are fixed by legislation, government regulation or where the requirement involves a proprietary product or service.
- b) When there has been a previous determination or there is a need to standardize the requirement;
- c) When offers for identical products and services have been obtained competitively within a reasonable period and the conditions of contract and price remain competitive;
- d) When, within a reasonable prior period, a formal solicitation has not produced satisfactory results;
- e) When the proposed procurement contract is for the purchase or lease of real property and the market conditions do not allow effective competition;
- f) When there is an exigency for the requirement;
- g) When the proposed procurement contract relates to obtaining services that cannot be evaluated objectively; and
- h) When a formal solicitation will not give satisfactory results.

Where one or more of the above circumstances occur, the Director of Procurement may decide to waive the requirement of the competitive bidding process. Such a decision shall be fully documented by the Director of Procurement as a **Note to File**, clearly explaining why we diverged from the policy, who was involved, who made

the decision, the circumstances, and who authorized/approved this. This Note to File must then be signed by the Director of Procurement and the Executive Director. It is then filed with the documents related to the procurement.

### Procurement Requisition

- A formal written Request must be made by the Requestor to the Director of Procurement to initiate the procurement process. A completed Procurement Request Form (PRF) is required for all procurement of goods and/or services. Requisitions must be submitted such as to provide sufficient time to meet delivery and distribution schedules.
- Before proceeding with any procurement, the Director of Procurement must review the PRF and make certain that proper approval has been obtained. It is important to note that the Director of Procurement is not authorized to alter specifications, quantity or other details on a PRF, unless such changes have been discussed and approved with the Requester.
- The completed PRF, along with the subsequent offers from vendors and evaluation done by the Logistics Department, serves to support the creation of a Purchase Order or Contract and eventual payment to a vendor.
- No procurement activity will be undertaken without a fully completed and authorized Requisition.

### Creating Vendors List

- Vendors List: The Director of Procurement shall request the potential vendors who respond to publicly announced ITBs and RFPs that have not yet been registered to complete a basic vendor registration form on Precoro.
- The Director of Procurement shall regularly update the vendor database.
- Pre-qualified Vendors List: In addition to the basic Vendors List on Precoro, the Director of Procurement will create and maintain a list of Pre-qualified Vendors. Vendors can be added to the list of Pre-qualified Vendors through two ways: 1) Potential vendor score high on vendor assessment conducted by the Director of Procurement; or 2) Contracted vendor scores high on contract execution performance.
- The vendors database shall contain for each pre-qualified vendor:
  - a) Full name and address;
  - b) Product information and data sheets;
  - c) Supply information (quality, delivery times, payment terms and warranties);
  - d) Post purchase services;
  - e) Packing and shipping facilities;
  - f) Management data and historical data;
  - g) References;
  - h) Verification that the vendor is not listed on the United Nations list of suspended and removed vendors;
  - i) Results of previous bidding and comments on past performance; and
  - j) Audited financial statements for the last three years.
- From this database of registered vendors, the Director of Procurement will identify and select eligible vendors to invite for a particular procurement process, focusing on:

- a) Vendors who delivered on the last contract;
  - b) The best three vendors from the last solicitation;
  - c) Newly identified vendors;
  - d) Other relevant vendors.
- Vendors who are not able to supply the required goods or services, or who are not eligible or suitable to bid, may not be added to a bidding list simply to make up the numbers.

### Solicitation Documents

- There are three types of solicitation documents: Request for Quotation (RFQ), Invitation to Bid (ITB), and Request for Proposal (RFP).
- Solicitation documents must indicate all information necessary for a bidder to prepare an offer and explain the main criteria for their evaluation. The rights of the bidder regarding the acceptance or rejection of offers must also be stated.
- A formal tender process is required for procurement with a value of \$10,000 or greater. In such cases, either an Invitation to Bid (ITB) or a Request for Proposal (RFP) must be used for procurement. In case of formal tendering, Mercy Hands will advertise the tender opportunities publicly, in a widespread newspaper publication and/ or online. For procurement with a value below \$10,000, formal bidding is not required and a Request for Quotation (RFQ) may be used for tendering.

### General Elements of a Formal Solicitation Document

- Form of submission: The ITB and the RFP are formal solicitation documents. Their content is crucial to a good procurement process, since they define the procurement requirements and the basis on which the submission is to be made. ITB or RFP tender documents must be sent simultaneously to all potential bidders to ensure equal treatment.
- The tender document must always stipulate that offers or proposals, including pricing, must be submitted in a sealed envelope identifying its nature. In the case of RFPs and for complex or specialized contracts, bidders will be asked to submit the technical and commercial proposals in two separate sealed envelopes.
- The ITB or RFP must specify the main criteria for the evaluation of proposals.
- The selection will be made based on the principle of best value for money. Bids must be scored when evaluated, with price and technical evaluation scores indicated in percentages. For example, an RFP evaluation for goods could be evaluated by weighing the technical evaluation at 60% and the price at 40%; for consultancies, the price and technical evaluation could be weighed at 50% / 50%.
- Closing date/time: The response time allowed for offers or proposals is based on the complexity of the required goods or services. Vendors are generally given ten days to two weeks to respond to an ITB or RFP. In cases of emergency, vendors may be required to respond as quickly as within 24 hours. For complex or specialized goods or services, it is usually appropriate to allow more than two weeks, even a month or more.
- Validity of offers/proposals: They must allow enough time for Mercy Hands to complete the comparison and evaluation of offers/proposals, to evaluate samples (if required), to clarify particular aspects of the proposed contract, to obtain all necessary approvals, to award the contract and to receive the signed contract from the vendor;

- Any specific conditions must be shown under a separate heading, such as the currency in which offers are to be made, if samples are to be provided or if laboratory test certificates are required.
- Conditions for purchase orders for goods or services - It is important to ensure that the vendor accepts Mercy Hands' general terms and conditions, either during vendor registration process or when submitting an offer.
- The required number of copies of the offer/proposal must be noted in the tender document.
- Performance security: A performance bond must be considered for high-value contracts, construction contracts and critical projects, to be provided by the vendor on or before the effective date of contract.
- Any potential bidder under an ITB or RFP process requiring additional information must submit a written request, either by letter or e-mail. The response and a copy of the question must be sent simultaneously, in writing, to all potential bidders, whilst maintaining confidentiality about who is bidding.
- It may be necessary to organize a meeting with potential bidders under an ITB or RFP process to provide additional information which cannot easily be dealt with in writing (e.g. when bidders have complex queries concerning product specifications). Such a meeting, for which all potential bidders must be invited to attend, would need to take place prior to the bid closing date. A record of the meeting will be provided without delay and simultaneously to the attending and other potential bidders. Prompt action must be taken in order not to compromise the bid closing date.
- An extension of the closing date/time may be granted if justified by exceptional circumstances (e.g. when many vendors cannot comply with the closing deadline) or if requested in writing by more than one bidder. When an extension is granted, all bidders must be informed immediately and simultaneously. A bid opening may only take place after the new deadline for the submission of bids.

#### Specific Elements to be included in an ITB or RFP for Goods

- It is recommended that the ITB or RFP document includes a template offer form, which the suppliers will use, facilitating the evaluation of bids. The form must include fields for the supplier to record the necessary offer elements, e.g. currency of offer, unit price, quantity discounts and applicable taxes.
- The vendor is required to include a warranty for items which by their nature and price are normally guaranteed against deficiencies.
- For the purpose of evaluation and comparison of offers, bidders must be requested to quote on the basis of identical trade terms. Bidders are required to state the following:
  - a) EXW unit prices (Ex Works);
  - b) EXW total price, including cost for packing and loading;
  - c) Price increment for delivery, as applicable, according to Incoterms, e.g.:
    - FCA to named place of departure (Free Carrier);
    - CIP to named place of port of entry (Carriage and Insurance Paid to);
    - DAP to named place of destination (Delivered at Place).
- If required, the ITB or RFP must request the cost of the following services, to be quoted separately from the cost of the goods:
  - a) Freight and other expenditures related to inland transportation and delivery by the vendor in the country of destination;
  - b) Installation and commissioning;



- c) Training;
- d) Maintenance and repair; and
- e) Detailed operations and maintenance manuals.

#### Specific Elements to be included in an ITB or RFP for Services

- The following elements must be included specifically in an ITB or RFP for services:
  - a) A warranty from the vendor;
  - b) A detailed description of the services to be provided, including an implementation schedule;
  - c) The payment schedule;
  - d) A request for customer references; and
  - e) A request for staff references, as applicable.

#### Receiving Formal Offers or Proposals under the ITB or RFP Process.

- Sealed envelopes received under the ITB or RFP process must be marked “*not to be opened before (closing date/time)*” and must bear the references requested by Mercy Hands on the outside envelope for identification purposes.
- Upon receipt, the unopened offers or proposals must be immediately safeguarded in a locked bid box and not opened until the bid opening deadline.
- Offers or proposals received after the closing date will not be considered. All late offers or proposals will be returned to the respective bidders. Offers or proposals which are not submitted in sealed envelopes will also not be considered.
- Bidders are not permitted to alter the offer or proposal after the closing date. Any bidder may, however, be requested to clarify an aspect of an offer or proposal in writing, but a change in the substance or price of the offeror proposal may not be sought, offered or permitted.
- No information may be revealed concerning offers or proposals (relative standing, names of bidders, etc.) prior to the award of Contract. After the award of contract, the decision will be announced to all bidders. Explanation may be provided upon request. Under no circumstances, however, will any bidder's confidential information be disclosed to another vendor or to officials not directly concerned with the evaluation process.

#### Review and Evaluation of Offers or Proposals and Award

- The Bid Opening Committee (BOC) will conduct the bid opening (NOTE: all members of the BOC **must** be present when opening the bids). Under no circumstances will an offer or proposal be opened, altered, reviewed or examined, nor will it be marked or defaced in any way, prior to the official bid opening. Only authorized staff are allowed to participate in the bid opening for ITB or RFP tender documents.
- The BOC must verify whether the submitted offers meet the general requirements for valid receipt specified in the solicitation documents, and whether they have been properly signed. BOC will prepare a checklist of received bids indicating whether and what bidding requirements they have met. The checklist along with bids documents will be forwarded to the BAC.
- The Bid Analysis Committee (BAC) will evaluate the bids, financial and technical proposals as well as the quality of other requirements, and prepare the Bid Comparison Form. Minutes of the deliberations and decisions reached must be retained on file. Committee members must ensure that they have no conflict of interest in reaching their

decisions, and to this end are **not** allowed to work as part of BOC or BAC.

- The purpose of evaluation is to determine which vendor has the lowest price for the acceptable specifications (principle of “best value for money”). In determining whether an offer or proposal is acceptable, non-price factors are first taken into account. If all other technical elements are equal, the lowest price acceptable offer or proposal must be selected. The basis for award must be duly documented and justified and must be based on the established evaluation criteria in the tendering document.
- The BAC will thoroughly review each bidder's offer/proposal in order to detect any problem. In the event of a calculation error in an offer or proposal, the unit price will prevail. If it is clearly beyond doubt that a fundamental mistake has been made, the BAC may permit the bidder to withdraw, but not alter, the offer or proposal.
- The factors that will be considered in an evaluation, in addition to price, for the purpose of determining the best acceptable offer or proposal will be specified in the RFQ, ITB or RFP, and will include where applicable:
  - a) Compliance with legal requirements, technical specifications, relevant international standards and technical norms;
  - b) Compatibility with existing equipment and standardization plans;
  - c) Compliance with required time schedules;
  - d) Delivery times;
  - e) Payment terms;
  - f) Guarantees, availability of spare parts, after-sales services and training;
  - g) Life-cycle aspects covering maintenance and operating costs;
  - h) Capability, capacity, financial standing, past experience and performance of the vendor and its local representative;
  - i) If delivery time is a main factor for award, a liquidated damages clause will be made part of the contract;
  - j) If offers or proposals are in a currency other than the local currency, they will be converted at the prevailing rate of exchange for evaluation purposes.
- If the best acceptable offer is overpriced, i.e. more than the allocated budget, then the BAC can negotiate with the bidder of the best acceptable offer to reduce the price. If negotiation fails then the tender will be re-published.

### Ordering and Inspection

- A letter, with the following tendering documents, is submitted to the BAC as the basis for awarding the contract:
  - a) Requisition;
  - b) RFQ or ITB or RFP;
  - c) Record of the opening of the offers/proposals;
  - d) Technical evaluation report (if relevant);
  - e) Tabulation of offers; and
  - f) Offers or proposals received (all in original). Purchase Orders or Contracts will be utilized to establish contractual obligations. They are issued according to a numerical sequence of reference numbers.
- The required basic data in a Purchase Order or Contract are:
  - a) Contract number and date;

- b) Page number and total number of pages (e.g. 1/3, 2/3, 3/3);
  - c) Vendor's address, contact person and phone number;
  - d) Vendor reference number;
  - e) Consignee and, if different, delivery address;
  - f) Trade terms (Incoterms);
  - g) Mode of shipment and trans-shipment point (via);
  - h) Delivery date (note: never "ASAP");
  - i) Terms and conditions;
  - j) Timeframe of the contract;
  - k) Liquidated damages or compensation for non-compliance with terms and conditions;
  - l) Cash terms (prompt payment discounts);
  - m) Item number(s);
  - n) Complete description of goods or services;
  - o) Quantity, unit of measure, unit price and total for each item;
  - p) Total order value;
  - q) Requisition reference;
  - r) Authorized signature.
- If a progress payment is requested by the vendor and has been negotiated, this will be specified in the contract.
  - Change (including cancellation) of an outstanding order or contract must be made in writing to the Director of Procurement, who will consult with the Requestor and the vendor. Under no circumstances will the Requestor contact the vendor directly to modify an order or contract. If change is approved, an amendment of the contract or the order must be issued with the words "Contract Amendment" or "Change Order" written on the top of the page. A description of the changes must be written into the body of the contract and approved by both the Requestor and the vendor.

### Contracting for Goods and Services

- Following the award of contract, contracting for goods and services requires a written contract with clear terms of reference and active oversight by the General Administrator, Director of Finance and Director of Logistics.
- The Director of Procurement prepares the contract, which succinctly and clearly states the nature, timeliness and measures of performance required of the contractor. The contract may include standards for completing the work.
- The General Administration must maintain records of solicitation documents, all original proposals, selection documents, evaluation reports and the contract.
- The Contract must be signed by the Executive Director or - delegated officer - and the contractor. The contractor signs the Contract first. At least two (2) originals must be prepared, one for the contractor and one for Mercy Hands.
- Modifications to Contracts may only arise when unexpected or emergency situations occur and must be reflected in an amendment of the Contract. Clauses for providing for amendments will be stipulated in the contract. Funds must be certified as being available prior to modifying a contract that increases its amount.
- Active oversight or contract management ensures that contractor performance is monitored and that any

shortcomings are promptly brought to the attention of the contractor for correction and adherence to the terms of reference as included in the Contract. Active oversight also ensures timely processing of contractor invoices.

- Payment will be made upon satisfactory completion and acceptance of work. Upon submission of the invoice by the contractor, payment will be promptly made in accordance with the payment terms established in the Contract.
- Advance payments are, in principle, not allowed. However, Mercy Hands may consider them for specific situations, in accordance with established criteria.
- In case advance payments are necessary, they may not exceed 50% of the total vendor contract. Under no circumstances may advance payments exceed \$US10,000 without prior and written authorization by the Executive Director.
- Progress payments may be appropriate for contracts lasting longer than two to three months and for services with discrete or regular progress intervals, such as annual maintenance or other service contracts - the payment schedule must be reflected in the contract; a study or report lasting several months to a year - payment can be based on steps accomplished to achieve the final report or study. Milestones must be realistic and reasonable.
- Progress payments will not be applied for short-term contracts which involve the simple delivery of goods or services.

## Payment

- Payments are made in a timely manner, as stated in the contract.
- Invoices from vendors will be examined, verified, and certified independently by the Finance Department. Such examination will include supplementary documentation covering:
  - a) Unit and total prices;
  - b) Quantities specified in the contract;
  - c) Previous payments;
  - d) Deductions;
  - e) Signed Receiving Report (for goods) or Handover Report (for services);
  - f) Copies of payment vouchers and invoices reported and referenced to all assets acquired with the donors' funds;
  - g) Other obligations specified in the contract (e.g. installation, training, etc.).
- Examination and verification of invoices will be performed expeditiously in order to assure timely payment within the timeframe agreed. This verification will confirm that the goods or services invoiced have been authorized as actually received in conformity with the contract. Any deficiencies or discrepancies will be referred to the Director of Procurement.
- The Finance Department will certify the invoice for payment. Only the amount stated on this certified invoice will be paid. Cash discounts taken or lost must be reported accordingly. Lost discounts must be justified in writing and added to the Procurement File.
- The payment conditions must be clearly detailed in the contract. The principal options are:
  - a) Bank transfer directly from Mercy Hands' account. This is the preferable option.
  - b) Check drawn from the Mercy Hands' account and handed over directly to the vendor.
  - c) Letter of credit. This is the least preferable option since it is costly and time-consuming.

Mercy Hands will apply the following supplier payment scale:

- Payments from 0-499\$ will be cash or check
  - Payments \$500 to \$9,999 Asia Hawala or bank transfer from MH bank account.
  - Over \$10,000 will be a bank transfer.
- A Proof of Payment Form must be completed for any procurement activity and must be signed by both Purchaser and Supplier at the receipt of payment.
  - There is no scale for suppliers' payment, the suggestion will be as below:

### Documentation of Procurement

- Complete and adequate documentation is necessary for accountability of the supplier and will be required if any disputes arise or if any claims are made. All supporting documents must be kept for a period of six years for audit purposes. Documents must be filed by contract number and tender document number.
- Procurement File: The Procurement Unit must maintain a file for each procurement. A typical "stand-alone" Procurement File would contain the following, in this order, separated by dividers for easy reference:
  - a) Requisition;
  - b) Company names and contact persons for vendors solicited;
  - c) Copy of the request for written offer (RFQ, ITB or RFP);
  - d) Original offers or proposals from responsive vendors, including all related correspondence;
  - e) Evaluation of offers or proposals or approved waiver giving justification for vendor selection and award price.
  - f) Tabulation of offers;
  - g) Justification for lack of competition, in case less than the specified number of bids were received;
  - h) Mercy Hands' Contracts Committee minutes and decision, if appropriate (depending on value of contract);
  - i) Copy of the Purchase Order or service contract including orders for inspection and insurance, if applicable;
  - j) Expedition documents;
  - k) Customs clearance documents (in case of international procurement);
  - l) Copy of the Receiving Report (for goods) or Handover Report (for services);
  - m) Copy of the vendor invoice;
  - n) Payment vouchers/receipts;
  - o) Other documents and correspondence related to the Contract;
- The Procurement Unit must document any anomalies or deviations from policy or procedures in a purchase with assigned explanatory "note to the file". Full supporting documentation must be maintained to respond to future queries from reviewers or auditors.

### Receiving Goods or Services

- As soon as goods or services are received, they must be promptly and carefully examined or assessed to verify that they conform fully to the Contract.
- For each Purchase Order, a Goods Received Note (GRN) must be completed. The Requester signs and dates the form, certifying whether the goods or services have been received in full and in good order or otherwise.
- The GRN is the basic document to initiate payment to local vendors. International vendors usually have to be paid

upon delivery to the forwarder in the exporting country. A copy of the GRN is required for the Procurement File, for follow-up action and closure.

- In case of any problem detected upon delivery (such as loss, damage, wrong quality or quantity), the basic policy is not to accept any non-conforming goods or services and to immediately inform the vendor. However, it is important to know the legal status of the goods or services in order to take the appropriate following action, depending on whether the ownership is already with Mercy Hands as the consignee or still with the vendor.
- The following actions must be taken for all non-conforming deliveries having taken place, irrespective of the ownership:
  - a) Note reason for objection:  
For goods: on the transport document, i.e. the waybill as well as on the GRN; For services: on the Handover Report. □
  - b) Inform the vendor immediately.
- For contracts where the vendor has full responsibility until delivery is accepted by the consignee:
  - a) Reject the delivery or part of it;
  - b) Request replacement, re-performance or repair free of charge;
  - c) Only after approval, contract again with the second-in-line vendor/the second best bidder of the bidding process and collect excess costs from the defaulting vendor;
  - d) Terminate the contract.

## Vendor Management

- The Director of Procurement is responsible for establishing, reviewing, and updating policies and procedures for proper evaluation of Mercy Hands' vendors (including a feedback system, pre-qualification and registration, and effective management of vendors).
- Pre-award surveys conducted as part of the technical review of offers are recommended prior to the first award to a new vendor for a contract of high value (\$100,000 or more), high priority or complex goods or services. Such surveys must include the vendor's credit rating – if available, affiliations, familiarity with the technical requirements, facilities, experience, references, capacity, production equipment, type of personnel, etc. A firm specialized in pre-award surveys may be engaged to obtain this information.
- Director of Procurement shall monitor and evaluate the performance of the contracted vendors during the implementation of the contract, using a checklist of measurable indicators. Information gathered directly and with the assistance of MEAL Officers, Procurement Officer/ Logistician, and Receiver(s) of the goods/ service.
- Vendors who score low in pre-award surveys or contract performance evaluation shall not be in the list of Pre-qualified Vendors.
- Vendors will not participate in developing or drafting specifications for goods or services for which they subsequently submit an offer/proposal.
- All Mercy Hands' tenderers and suppliers must observe and uphold ethical standards in the procurement and execution of contracts. Suppliers will provide their affirmation by signing the Supplier Code of Conduct and General Terms and Conditions before signing the contract.

## Customs and Taxation

Mercy Hands will maximize the use of any tax exemptions available under its charitable status. In situations where goods and/or services procured by Mercy Hands may be subject to customs duty or taxation, Mercy Hands shall indicate to the competent authorities that the goods and/or services are bought with charity or UN funds and pursue the tax exemption and recovery. The Procurement Director shall consult with the donor agency on whether and how these payments may be exempted under the applicable international and national legal instruments.

## ANNEXES

### Annex 1

#### STAFF CODE OF CONDUCT

This Code of Conduct shall govern the performance, behavior, and actions of Mercy Hands staff (Board members, employees, directors, interns, volunteers, and agents) engaged in any aspect of procurement, including - but not limited to - purchasing goods and services, awarding contracts and grants, or the administration and supervision of contracts.

- As representatives of Mercy Hands, all staff are expected to conduct themselves in a professional and ethical manner, upholding a high standard of integrity and the use of good judgment. The staff are expected to be honest and decent in their business interactions and general behavior both inside and outside of Mercy Hands.
- **Due diligence:** In the context of Mercy Hands procurement, the staff are required to carry out duties carefully and thoroughly, and avoid careless practices or techniques. Due diligence requires that all procurement activities be pursued in a manner that goes beyond the minimum effort. For example, diligent Mercy Hands procurement officers should:
  - Check the references of potential suppliers;
  - Develop impartial evaluation criteria;
  - Carefully analyze the offers received;
  - Not cut corners for the sake of convenience.
- **Conflict of Interest:** No staff of Mercy Hands shall participate in the selection, award or administration of a bid or contract where there may be a conflict of interest. A conflict of interest occurs when private interests interfere or appear to interfere with the proper performance of his or her professional functions or obligations as a Partner's employee, to potentially undermine his or her impartiality. Conflict of interest also includes the use of a Partner's assets, including human, financial and material assets, or the use of Partner's office or knowledge gained from official functions for private gain or to prejudice the position of someone the staff member does not favour. Conflict of interest may also arise in situations where a staff member is seen to benefit, directly or indirectly, or allow a related party, including family, friends or someone they favour, to benefit from the staff member's decisions.
- No staff of Mercy Hands shall do business with, award contracts to, or show favoritism towards a member of his/her immediate family, spouse's family or to any company or vendor who either employs or has any relationship to a family member, nor award a contract or bid which violates the spirit or intent of Mercy Hands procurement policy established to maximize free and open competition among qualified vendors.
- **Gifts and Hospitality:** Mercy Hands staff shall neither solicit nor accept gratuities, gifts, consulting fees, trips, favors or anything having a monetary value from a vendor, potential vendor, nor the family or employees of a vendor, potential vendor or bidder, nor from any party to a sub-agreement or ancillary contract.
- **Confidentiality:** Procurement-related information is considered confidential. This includes any documentation or information that is part of the procurement process, which is not publicly available, and where any disclosure of the documentation or information could:



- Place a vendor at a disadvantage or;
  - Provide an unfair advantage to a vendor or;
  - Harmfully reflect upon the reputation and integrity of the Mercy Hands or its donor agencies.
- **Proscribed practices:** Proscribed practices may occur at any stage in the acquisition process (budget, procurement, contract management, etc.), either with the knowledge and consent of at least some parties in the Mercy Hands or through well-concealed initiatives by a vendor acting alone. Mercy Hands staff shall not take part in any proscribed practices. If the staff takes part in the proscribed practice or if the staff becomes aware of - or has suspicion of - any proscribed practice and not report it to Mercy Hands administration then that action – or lack of it – will be treated as misconduct and constitute a base for disciplinary action which may reach expulsion from the organization.

These are some typical signs that may indicate or warn of unethical practices. These include, but are not limited to the following:

1. Deviations from correct procedures;
2. Overcharging by the supplier;
3. Poor record keeping;
4. Missing files;
5. Poor or no separation of duties (i.e. the same person issues the order and approves the payment);
6. Poor control (i.e. only one person signs a contract);
7. Resistance to audit;
8. Reluctance to delegate;
9. Unnecessary meetings with suppliers;
10. Not allowing other staff to deal with certain suppliers;
11. Established supplier's reluctance of entering competitive tendering;
12. Excessive or inappropriate use of waiver of competitive bidding;
13. Supplier cartels;
14. Fraudulent practice or Fraud which means the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his/her detriment, for example in order to influence a procurement or selection process or the execution of a contract to the detriment of a person(s), and includes collusive practices among bidders (prior to the submission of bids or proposals) designed to establish prices at artificial, non-competitive levels and to deprive other parties, including the organization of the benefits of free and open competition;
15. Corrupt practice or Corruption which means the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence the actions of another party in the procurement or selection process or in contract execution;
16. Unethical practice which means conduct that violates the provisions of paragraphs 44 (conflict of interest) and 46 (gifts and hospitality), or post-employment<sup>8</sup>.
17. Bribery which means the act of unduly offering, giving, receiving or soliciting anything of value to influence the process of procuring Goods and/or Services, or executing Contracts;
18. Extortion or Coercion which means harming or threatening to harm, directly or indirectly, persons, or their property to influence their participation in the procurement process, or affect the execution of a contract;

19. Collusion or Bid Rigging which means a scheme or arrangement between two or more vendors, with or without the knowledge of the procuring organization, designed to establish prices at artificially non-competitive levels. Common schemes of collusion are:
1. Bid suppression: one or more vendors who otherwise would be expected to bid, or who have previously bid, agree to refrain from bidding or withdraw a previously submitted bid so that the designated winning competitor's bid will be accepted;
  2. Complementary bidding: an agreement by vendors whereby at least one of them agrees to submit a bid that is either too high to be accepted or contains special terms and conditions that will not be acceptable to the UN;
  3. Bid rotation: vendors submit bids but agree to take turns being the low bidder;
  4. Subcontracting: vendors agree not to bid or to submit a losing bid in exchange for subcontracts from the successful bidder;
  5. Market division: vendors divide markets among themselves allocating specific customers, products or territories to themselves.

**We encourage Mercy Hands staff to improve their business practices in accordance with the principles set out in this Code of Conduct.**

**Contacts:**

**Any questions related to this Code of Conduct can be addressed to the Director of Procurement at email: [Procurement@mercyhands.org](mailto:Procurement@mercyhands.org)**

## Annex 2 SUPPLIER CODE OF CONDUCT

**United Nations Charter:** The values enshrined in the United Nations (UN) Charter, *respect for fundamental human rights, social justice and human dignity, and respect for the equal rights of men and women*, serve as overarching values to which suppliers of goods and services to Mercy Hands are expected to adhere.

**Global Compact:** The Global Compact is a voluntary international corporate citizenship network initiated to support the participation of both the private sector and other social actors to advance responsible corporate citizenship and universal social and environmental principles to meet the challenges of globalization. Mercy Hands strongly encourages all suppliers to actively participate in the Global Compact. And to that end, this Code of Conduct has been developed with recognition of the importance of the ten principles of the UN Global Compact, and is viewed as an important means of integrating the Compact's principles into the operations of Mercy Hands. The Code of Conduct addresses the issues included in the Compact in the areas of human rights, labour, environment and anti-corruption and interpretation of the Code should be

undertaken in a manner consistent with the Global Compact. Suppliers interested in supporting the Global Compact and obtaining more information on the ten principles, can visit the Global Compact website at [www.unglobalcompact.org](http://www.unglobalcompact.org).

**International Labour Conventions and Recommendations:** The International Labour Standards (i.e., Conventions and Recommendations) as established by the tripartite UN specialized agency, the International Labour Organization (ILO), have served as the foundation on which much of this Code of Conduct is based. It is Mercy Hands' expectation that any supplier providing products or services to Mercy Hands will, in addition to the values of the UN Charter, adhere to the principles concerning International Labour Standards summarized below in paragraphs 4 – 9.

### **1. Scope of Application:**

The provisions of this Code of Conduct set forth the Mercy Hands' expectations for all suppliers that are registered with Mercy Hands or with whom it does business. Mercy Hands expects that these principles apply to suppliers and their employees, parent, subsidiary or affiliate entities, and subcontractors. Mercy Hands expects suppliers to ensure that this Code of Conduct is communicated to their employees, parent, subsidiary and affiliated entities as well as any subcontractors, and that it is done in the local language and in a manner that is understood by all.

### **2. Continuous Improvement:**

The provisions as set forth in this Code of Conduct provide the minimum standards expected of suppliers to Mercy Hands. Mercy Hands expects suppliers to strive to exceed both international and industry best practices. Mercy Hands also expects that its suppliers encourage and work with their own suppliers and subcontractors to ensure that they also strive to meet the principles of this Code of Conduct. Mercy Hands recognizes that reaching some of the standards established in this Code of Conduct is a dynamic rather than static process and encourages suppliers to continually improve their workplace conditions accordingly.

### **3. Management, Monitoring and Evaluation:**

It is the expectation of Mercy Hands that suppliers, at a minimum, have established clear goals toward meeting the standards set forth in this Code of Conduct. Mercy Hands expects that its suppliers will establish and maintain appropriate management systems related to the content of this Code of Conduct, and that they actively review, monitor, and modify their management processes and business operations to ensure they align with the principles set forth in this Code of Conduct. Supplier participants in the Global Compact are strongly encouraged to operationalize its principles and to communicate their progress annually to stakeholders. Mercy Hands may monitor that milestones have been set and management systems have been put in place to ensure that the principles set out in this Code of Conduct have been met and failure to do so may impact the future ability of a supplier to do business with Mercy Hands. To review the progress of suppliers and subcontractors in implementing the Code of Conduct, Mercy Hands may take various supporting initiatives, including requesting suppliers to commit to the Global Compact, to self-certify that they comply with the Code of Conduct and, in some cases, to conduct on site evaluations and inspections of supplier facilities and those of their subcontractors.

### **Labour:**

**4. Freedom of Association and Collective Bargaining:** Mercy Hands expects its suppliers to recognize the freely-exercised right of workers, without distinction, to organize, further and defend their interests and to bargain collectively, as

well as to protect those workers from any action or other form of discrimination related to the exercise of their right to organize, to carry out trade union activities and to bargain collectively.

**5. Forced or Compulsory Labour:** Mercy Hands expects its suppliers to prohibit forced or compulsory labour in all its forms.

**6. Child Labour:** Mercy Hands expects its suppliers not to employ: (a) children below 14 years of age or, if higher than that age, the minimum age of employment permitted by the law of the country or countries where the performance, in whole or in part, of a contract takes place, or the age of the end of compulsory schooling in that country or countries, whichever is higher; and (b) persons under the age of 18 for work that, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of such persons.

**7. Discrimination:** Mercy Hands expects its suppliers to ensure equality of opportunity and treatment in respect of employment and occupation without discrimination on grounds of race, color, sex, religion, political opinion, national extraction or social origin and such other ground as may be recognized under the national law of the country or countries where the performance, in whole or in part, of a contract takes place.

**8. Wages, Working Hours and Other Conditions of Work:** Mercy Hands expects its suppliers to ensure the payment of wages in legal tender, at regular intervals no longer than one month, in full and directly to the workers concerned. Suppliers should keep an appropriate record of such payments. Deductions from wages are permitted only under conditions and to the extent prescribed by the applicable law, regulations or collective agreement, and suppliers should inform the workers concerned of such deductions at the time of each payment. The wages, hours of work and other conditions of work provided by suppliers should be not less favorable than the best conditions prevailing locally (i.e., as contained in: (i) collective agreements covering a substantial proportion of employers and workers; (ii) arbitration awards; or (iii) applicable laws or regulations), for work of the same character performed in the trade or industry concerned in the area where work is carried out.

**9. Health and Safety:** Mercy Hands expects its suppliers to ensure, so far as is reasonably practicable, that: (a) the workplaces, machinery, equipment and processes under their control are safe and without risk to health; (b) the chemical, physical and biological substances and agents under their control are without risk to health when the appropriate measures of protection are taken; and (c) where necessary, adequate protective clothing and protective equipment are provided to prevent, so far as is reasonably practicable, risk of accidents or of adverse effects to health.

#### **Human Rights:**

**10. Human Rights:** Mercy Hands expects its suppliers to support and respect the protection of internationally proclaimed human rights and to ensure that they are not complicit in human rights abuses.

**11. Harassment, Harsh or Inhumane Treatment:** Mercy Hands expects its suppliers to create and maintain an environment that treats all employees with dignity and respect and will not use any threats of violence, sexual exploitation or abuse, verbal or psychological harassment or abuse. No harsh or inhumane treatment coercion or corporal punishment of any kind is tolerated, nor is there to be the threat of any such treatment.

**12. Mines:** Mercy Hands expects its suppliers not to engage in the sale or manufacture of anti-personnel mines or components utilized in the manufacture of anti-personnel mines.

**Environment:**

**13. Environmental:** Mercy Hands expects its suppliers to have an effective environmental policy and to comply with existing legislation and regulations regarding the protection of the environment. Suppliers should wherever possible support a precautionary approach to environmental matters, undertake initiatives to promote greater environmental responsibility and encourage the diffusion of environmentally friendly technologies implementing sound life-cycle practices.

**14. Chemical and Hazardous Materials:** Chemical and other materials posing a hazard if released to the environment are to be identified and managed to ensure their safe handling, movement, storage, recycling or reuse and disposal.

**15. Wastewater and Solid Waste:** Wastewater and solid waste generated from operations, industrial processes and sanitation facilities are to be monitored, controlled, and treated as required prior to discharge or disposal.

**16. Air Emissions:** Air emissions of volatile organic chemicals, aerosols, corrosives, particulates, ozone depleting chemicals and combustion by-products generated from operations are to be characterized, monitored, controlled and treated as required prior to discharge or disposal.

**17. Minimize Waste, Maximize Recycling:** Waste of all types, including water and energy, are to be reduced or eliminated at the source or by practices such as modifying production, maintenance and facility processes, materials substitution, conservation, recycling and re-using materials.

**Ethical conduct:**

**18. Corruption:** Mercy Hands expects its suppliers to adhere to the highest standards of moral and ethical conduct, to respect local laws and not engage in any form of corrupt practices, including but not limited to extortion, fraud, or bribery.

**19. Conflict of Interest:** Mercy Hands suppliers are expected to disclose to Mercy Hands any situation that may appear as a conflict of interest, and disclose to Mercy Hands if any Mercy Hands official or professional under contract with Mercy Hands may have an interest of any kind in the supplier's business or any kind of economic ties with the supplier.

**20. Gifts and Hospitality:** Mercy Hands has a “zero tolerance” policy and does not accept any type of gift or any offer of hospitality. Mercy Hands will not accept any invitations to sporting or cultural events, offers of holidays or other recreational trips, transportation, or invitations to lunches or dinners. Mercy Hands expects its suppliers not to offer any benefit such as free goods or services, employment or sales opportunity to a Mercy Hands staff member in order to facilitate the suppliers’ business with Mercy Hands.

**21. Post employment restrictions:** Post-employment restrictions may apply to Mercy Hands staff in service and former Mercy Hands staff members who participated in the procurement process, if such persons had prior professional dealings with suppliers. Mercy Hands suppliers are expected to refrain from offering employment to any such person for a period of one year following separation from service.

**Non-adherence to these principles will be a factor in considering whether a supplier is deemed eligible to be registered as a Mercy Hands supplier or to do business with Mercy Hands, in accordance with applicable Mercy Hands policies and procedures.**



**We encourage Mercy Hands suppliers to improve their business practices in accordance with the principles set out in this Code of Conduct.**

**Contacts:**

**Any questions related to this Code of Conduct can be addressed to the Director of Procurement at email: [Procurement@mercyhands.org](mailto:Procurement@mercyhands.org)**

Annex 3

PROCUREMENT AUTHORIZATION SCHEDULE

Authorization Amount (USD)	Formal Solicitation (Yes/ No)	No. of Quotes	Need RFQ, ITB, RFP?	Approval of ITB/ RFP Authority	Selection of Vendor Authority	Payment Authority
0 – 9,999	No	At least 3 quotes	RFQ	-	QAC	DF
10,000 – 99,000	Yes	At least 3 quotes	ITB or RFP	DP	BAC	DF
100,000 – 199,000	Yes	At least 8 quotes	ITB or RFP	DP, DLS, and DF	BAC + ED	DF + ED
200,000 and above	Yes	At least 8 quotes	ITB or RFP	DP, DLS, DF, and ED	BAC + ED + BoD	DF + ED + BoD

**Abbreviations: RFQ= Request for Quotations; ITB= Invitation to Bid; RFP= Request for Proposals; DP= Director of Procurement; DLS= Director of Logistics and Security; QAC= Quotations Analysis Committee; DF= Director of Finance; BAC= Bid Analysis Committee; ED= Executive Director; BoD= Board of Directors**

### Annex 3 PROCUREMENT NO-NOS

To detect errors and prevent fraud, we divide important processes amongst different people and departments.

The greater the number of people involved, the harder it is for any one person to manipulate the process. This is called Segregation of Duties.

As procurement staff are involved in gathering information about potential purchases, there are other tasks in the process that they **must not** perform.

Procurement staff are not allowed to carry out the tasks in the list below.

- 1 Request goods or services for other departments or projects
- 2 Approve Purchase Orders or Service Contracts
- 3 Acknowledge or approve receipt of services and prepare receiving documentation
- 4 Perform quality control tests or evaluate goods received
- 5 Prepare, record or distribute payments to vendors
- 6 Have custody over assets or goods purchased
- 7 Receive invoices from vendors
- 8 Have custody of blank cheques



## Annex 4 FORMS

### **Purchase Requisition Form (PRF)**

The Purchase Requisition Form (PRF) is used by staff to request any procurement of goods and/or services. The requester will fill out the form, get it approved, and bring it to the Purchasing Department. The PRF number will be used for all communication about the purchase. Use of this form is required for all purchases.

### **Purchase Order**

The Purchase Order is a formal contract for procuring goods/services. When Mercy Hands and the vendor sign it, it becomes a legal obligation to purchase under the terms and conditions specified in the Order. Purchase Orders must be used for all procurement over \$500 and any procurement of assets above \$50. These forms should be formally printed out by a commercial printer, pre-numbered, on carbon-copy paper, with an original and one copy. If we write a separate, special contract with a vendor, we attach that contract to the next Purchase Order form and use the Purchase Order number to refer to the purchase.

### **Bid Comparison Form**

Purchasing Staff and Bid Committees use this form to record different vendors' bids next to each other for comparison. Purchasing staff should fill this out for any purchase for which they have more than one bid, whether the decision on where to purchase will be made by an individual or a committee. In Bid Committee Meetings the form should be filled out in the presence of the committee and signed by them before the meeting is over.

### **Goods Received Note**

To be used for all purchases. Requester completes and signs this form after ensuring that goods/services received comply with the specifications in the contract. These forms should be formally printed out by a commercial printer, pre-numbered, on carbon-copy paper, with an original and one copy.

### **Proof of Payment Form**

Must be completed for *any* procurement value, and signed and stamped by MH procurement officer and supplier.

Annex 5  
RECEIVING PURCHASED ITEMS

**Overview**

When we receive items, we take full responsibility for those items and their use. From that point on we must be able to account for:

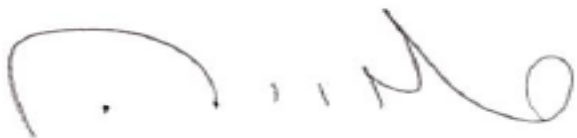
- 1 Where they are
- 2 How we have used them
- 3 How we have disposed of them

If the items have been purchased from a vendor, we will pay for the items only after we have received them and verified that they meet specifications and are what we were billed for.

So, when items arrive at our office or warehouse:

- 1 We count them
- 2 We inspect them and make sure they are what we ordered
- 3 We document their quantity and quality in our records
- 4 We store them in their allocated location
- 5 We let the appropriate people know they have arrived.

This process applies to any and all items that arrive at the office or warehouse.



Last update: July 2022

Approved by: Khaldoon Al-Moosawi