Policy on Procurement

Introduction

This memo sets out the policy for procurement which Red een Kind has in place to ensure that:

- The correct goods or services are purchased, in terms of the correct quality and specification;
- Best value for money is achieved;
- The process is safe, for example risk of fraud is minimized;
- The process is fast enough to meet program needs;
- Grant conditions are complied with.

This policy will be evaluated periodically as part of our quality management process. To keep the policy relevant and workable for the objectives or our operations the right balance need to be found between speed and safety. Any feedback to improve the quality of this procedure is welcome and can be send to fdi@redeenkind.nl

Scope

This policy is applicable for Red een Kind as well as its affiliate offices in Africa and India. This policy should be read as a minimum requirement. In case existing local procurement policies are already more strict compared with this policy, the local procurement policies prevail. Also any specific donor/grant requirement which can be more strict may be applicable and must be adhered to within applicable granted projects.

We also expect that implementing partners have similar procurement policies in place. Partners are checked with internal audits whether they have a procurement policy in place meeting the minimum requirements stated in this policy and whether this policy is adhered to.

Ethical procurement

When selecting potential suppliers /services/goods, Red een Kind has several areas of attention which are relevant besides cost and quality of the goods/services itself. For any purchase staff should be aware of the values as described in *the Red een Kind Corporate Social Responsibility Policy* and the *Red een Kind Child Protection Policy*. Suppliers or goods/services that may be related to unsustainable, abusive (e.g. respect of children's and workers' rights, avoid child labor and bad working conditions), illegal, or polluting practices should be prevented as much as possible.

In case of written requests for quotations with a value > EUR 5.000 it is mandatory that potential suppliers are informed about the Red een Kind values and policies, and that ethical standards are part of Red een Kind selection procedures when assessing and choosing 'value for money'.

Purchase decision steps

When doing any procurement the following aspects and respective measures are to be taken (in EUR or equivalent value):

Any deviation in procedure must be documented and approved by the Board of Directors prior to a procurement action.

Aspects	Criteria	Required step
One off (eg consultancy service) or repeat (eg office stationery)	One off > EUR 5.000 Repeat with accumulated value > EUR 5.000	Quotation procedure when purchase larger > EUR 5.000
Low, medium or high value	Very Low < EUR 100 Low EUR 100- EUR 500 Medium EUR 500 - 5.000 High EUR 5.000	No purchase request needed Purchase request to be authorized by Team Manager in case of If not budgeted, purchase request need to be authorized by Team manager and Finance Manager. Regular purchase procedure without quotation applies. Final invoice to be approved by Team Manager. Contract (ToR) and/or description of services documented with invoice Quotation procedure required and both Team Manager and Member of Board will need to approve final invoice
Budgeted or not budgeted	Budgeted Not budgeted < EUR 500	Team Manager approves purchase request+invoice Team Manager approves purchase request+invoice

	Not budgeted and between EUR 500-EUR 5.000	Finance Manager approves (and see Low/Medium/High criteria)
Subject to grant conditions or not	Any purchase within budget of grant Purchase not budgeted in grant and larger > EUR 1.000	Approval by Program Manager Approval by Program Manager and Finance Manager
Cash or credit purchase	Cash purchase < EUR 250 for single items Credit Purchase	Approval by REK Finance Manager if cash purchase > EUR 250 See 'Low, Medium, High'
Fixed asset or consumable	If asset > EUR 500 In case of any real estate purchase or those rental contracts relating to real estate with a value of more than EUR 100.000 per year	Always approval by member of Board of Directors. Low/Medium/High Criteria apply Authorization of Supervisory Board is mandatory
Routine or emergency	 In case of emergency: < EUR 1.000 EUR 1.000-EUR 5.000 >EUR 5.000	*In all cases clear applying emergency procedure must be clearly documented* Finance Manager must approve Team manager and Finance manager must approve Approval by Finance manager and Board of Directors

Quotation process (mandatory for any new purchases > EUR 5.000

Important rules to adhere to:

- Avoiding conflict of interest. Purchasing with companies that are family or friend related should be prevented, either documented and reported to the Audit Committee (through Finance Manager)
- Transparency: publish that you are procuring, document the process
- Right of access: when an auditor comes, he must also be allowed to get access to the documents of the supplier; it is advised to put this in the contract with the supplier
- Due diligence: ensure that Red een Kind and universal principles are respected
- Avoiding conflict of interest. Purchasing with companies that are family or friend related should be prevented, either documented and reported to the Audit Committee (through Finance Manager)
- Suppliers with a supplierstatus 'doing business prohibited' in Pluriform can not be invited for quotations.
- Principles of ethical procurement should be taken into account

The following steps in quotation procedure must be adhered to:

1. Potential suppliers: These should be selected according to their ability to meet the requirements of the requisition, and possibly on previous experience with a supplier.
2. Request for quotation: Provide identical information to all suppliers asked to quote, including the same description of items being procured, date and time by which the quotation must be returned.
3. Quotations are normally requested and received in writing: where a quotation is given verbally, confirmation should be sent in writing. The purchaser should sign and date all received quotations.
4. Evaluating quotations: Complete a summary of Bids and record the choice of supplier and the reasons for that choice. Three people of the procurement committee will evaluate the quotations. The final decision may be based on factors other than the cost – e.g. service, quality, ethics, and payment terms.
5. Unsuccessful suppliers should be notified in writing.
6. Supplier performance: the purchaser should stay in contact with the supplier to ensure that they are able to fulfill the order. The purchaser is also responsible for checking that the goods to be received are of adequate quality, and are in accordance with the purchase order.
7. For all goods and services to a value equal to or greater than EUR 5.000 **at least 3 quotations must be obtained**. If this requirement can not be met due to circumstances this must be explained, documented and approved by a member of the Board of Directors. The quotations must be discussed in a procurement sub-committee meeting. The procurement committee will consist of;

- Rek Representative (Finance Manager or Member of ReK Board)
- Finance Administrator
- Program/Team Manager
- A subject matter specialist (co-opted at that particular)

8. All quotations must be verified, approved and signed by the Procurement Committee (or approved by e-mail, this must be documented). Among the factors to be considered in the tendering procedures include:

- Is the description of the item being described complete including the make, model and technical specification/ 'term of reference' are equal?
- Is a warrant period indicated if applicable?
- Is servicing locally available in case of breakdowns, spare parts and regular maintenance.
- Is the indicated price appropriate?
- Does the supplier command good repute from his/her clients?
- Has the supplier command some services or goods before to the organization.
- Is the date (period) of delivery indicated and is it reasonably accepted.
- Is the period validity of the quotation indicated?
- Has the supplier signed the provided quotation?
- Ethical procurement: respect of child and worker's rights, avoidance of child labor and economic exploitation (poor working conditions), avoidance of pollution
- Sound financial management: is supplier reliable /does it have a good standard.
- Equal treatment, non-discrimination
- Especially in case of Program implementation: supporting the local economy - for as much as possible, use material and human resources from the population, but also do not distort the local economy

9. After a successful awarding of the quotation (s) the regular purchase process will apply.

Evaluation Procurement

In order to assure continuous value for money it is important to evaluate quality of goods/service delivery. Some suppliers are appointed as 'critical' for quality and continuity of the organization, these will be evaluated at least on annual basis. Management of ReK decided which suppliers are criticial.

Any supplier may be evaluated and this can be documented in Pluriform using the assessment-tool.

Documenting procurement

Pluriform should be used to archive relevant purchase documentation

- With invoices also delivery notes or proof of service delivery must be available digitally (together with invoices) when authorizing invoices;
- Each supplier that is asked for quotation should be logged under creditors with a contactmoment with a summary of evaluation;
- For purchases where quotations apply: a scan of the approved minutes of the procurement committee / e-mail and the approved quote and contract/ToR should be archived under supplierdocumentation

Exception on the procurement procedures

Deviations of the procurement procedure should be documented and approved by the Board of Directors (see Annex V)

Annexes to the Procurement Policy

Annex I - Purchase Request Form
Annex II - Request Form for quotations
Annex III - Form for quotations analysis
Annex IV - Specific Procedures relating to procurement of Medical Supplies and Devices and Food Supplies
Annex V - Authorization form deviation from Policy on Procurement

Annex I

Purchase request form to be applied for non-routine purchases with value between EUR 100 – EUR 5.000 (> EUR 5.000 quotation procedure applies)

PURCHASE REQUEST FORM

Description	Quantity	Cost
Total Cost:		

Budget Code:

Requested By: ---------- Date: ----------

Authorised By: ---------- Date: ----------

---------- Date: ----------

ANNEX II

Request form for quotations

Applicable for physical goods (e.g. equipment, medicines, food etc.)

Deadline for submission of quotation:	
To be sent in sealed envelope (and if applicable duly franked) for the attention of:	
Address:	
or e-mail:	

The following is required	**(checkmark if applicable)**
All tenders/quotations must contain the following information against which a tick should be placed:	
The full name, address of the tendering company	
Period of validity of quotation	
Best price details including discounts	
Full relevant products specification	
Details of other NGOs/organizations supplied with the same products	
Proposed insurance arrangements	
Details of any guarantees/warranties regarding quality of products	
Sample of product required to accompany tender	
Indicate if price includes tax or not	
A company profile	

Please include in your quote the items and numbers listed below and include the price per item and the total amount:

Nr.	Description item	Product	Type/Serie	Quantity
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				

Requested by:	Date:	Signature:

ANNEX III

Date:

Form for quotations analysis

Applicable for physical goods (e.g. equipment, medicines, food etc.)

Deadline for submission of quotation:	
Number of quotations requested:	
Number of quotations received:	
Names of members Procurement Committee	
REK representative:	
Finance administrator:	
Program / Team manager and/or expert:	

Summary of analysis and conclusion			
Name Supplier of accepted quotation:			
Justification (include price, quality, supplying capacity and standards, if applicable also corporate social responsibility criteria applied)			
We declare by signing and that all relevant procurement	Signature REK representative:	Signature Finance administrator:	Signature Program/Teammgr.:

procedures have been followed and any exception is reported to Board of Directors*			

	Name supplier:		1		2		3		4	
	Item description	Quantity	Price /item	Total	Price/item	Total	Price/item	Total	Price/item	Total
1										
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
13										
14										
15										
16										
17										
18										
19										
20										
			Excl. tax		**Excl.tax**		**Excl.tax**		**Excl.tax**	
	Total		**Incl. tax:**		**Incl. tax:**		**Incl. tax:**		**Incl. tax:**	

Description of exception of the procurement procedures including justification
Date:
Approval Board of Directors: (Signature)

Annex IV of Red een Kind Policy on procurement

Specific Procedures relating to procurement of Medical Supplies and Devices and Food Supplies

These procedures are structured as follows:

I Introduction
II Scope and definition
III Medical Supplies
IV Medical devices
V Veterinary medicines
VI Destruction of Medical Supplies, Medical devices and Veterinary medicines
VII Food supplies and transfers

I - Introduction

An effective supply process is essential for Red een Kind to carry out any relevant humanitarian operation. Red een Kind has set up these specific procedures for physical goods to give maximum clarity to safeguard (health) safety and compliance with maximum value for money in an effective and efficient way. This means that regarding physical goods: medicines, vaccines, medical equipment are made available at the right time and place, while meeting strict quality specifications. Because of specific knowledge required part of the procurement can or must be outsourced with external knowledge.

Special Provisions for the Procurement of Food and Medical Supplies

II - Scope and Definitions

The following definitions are derived from ECHO's principles and procedures for procurement :

a) "***Medical Supplies***" include all medicines and other medical products, in particular those included on the national essential medical supplies list, national essential medicines list and on the World Health Organisation's list of essential medicines , proprietary medicines or generics, medical devices and therapeutic food to address acute malnutrition.

b) "***Food Supplies***" includes bulk consumable commodities, such as mixed foods, ready-to-use foods, fortified foods with added vitamins and minerals, and supplementary foods to address moderate malnutrition. It doesn't include seeds for agricultural purposes.

c) "Pre-Certified Supplier" and "Pre-Certification" refer to approved suppliers of medical supplies. A supplier is pre-certified where it has demonstrated, either to Red een Kind that its premises and facilities meet internationally recognised standards, for example by complying with Guidelines on Good Distribution Practice of Medical Products for Human Use , that it is technically capable of ensuring the quality of the active ingredients and that its products come from an approved supplier.

d) "Pre-qualified Supplies" and "Pre-Qualification" refer to medical supplies. A medical supply is pre-qualified when it appears on the WHO's list of pre-qualified products in keeping with the WHO's recommended norms.

III- Medical Supplies

a) Irrespective of the value of the contract to be awarded procurement of medical supplies is only allowed either through a Humanitarian Procurement Centre (HPC – see link HPC) or by launching a procurement procedure with pre-certified candidates meeting the standards explained herein. Whenever feasible, the number of candidates invited must be sufficient to ensure genuine competition.

b) When assessing offers submitted by pre-certified candidates the following rules apply: compare prices and consult international medicines price databases, such as the International Drug Prices Indicator , the Global Fund Price and Quality Reporting tool (PQR) , the Price Information Exchange website (PIEMEDS), the global price reporting mechanism provided by the WHO AIDS Medicines and Diagnostics Service (AMDS) or MSF Untangling the Web of Antiretroviral Price Reductions.

c) When comparing the costs of pharmaceutical products, the cost of the whole treatment per patient must be taken into consideration and not only the cost per unit. Given that the procurement planning may also be influenced by other factors, such as transportation charges, storage requirements and shelf-life, the total cost necessary to uphold the required quality must be considered.

d) Only by written approval of the Board of Directors Red een Kind is allowed to procure medical supplies itself. It is mandatory to only send the invitation to negotiate to pre-certified candidates which have demonstrated that their premises and facilities meet internationally recognised standards, e.g. as described in the Guidelines on Good Distribution Practice of Medical Products for Human Use, that they are technically capable of ensuring the quality of active ingredients and that their products come from approved suppliers. The invitation to negotiate must at least include the following selection criteria to be used when assessing the candidate(s):

1 respect of the WHO's principles of Good Manufacturing Practice (hereinafter referred to as the 'GMP'); where relevant, Good Storage Practices (hereinafter referred to as the 'GSP'); Good Laboratory Practice (hereinafter referred to as the 'GLP); Good Clinical Practice (hereinafter referred to as the 'GCP'), the WHO's model quality assurance standards MQAS, as well as the WHO's or the Union'sGood Distribution Practices (hereinafter referred to as the 'GDP')

2 on-going monitoring of the production and quality control activities of both their supplies and suppliers, pursuant to the WHO publications and an adequate quality control testing programme, including protocols and standard operating procedures, and based on a demonstrated risk analysis policy;

3 monitoring of customers' complaints and remedial follow-up, including recall procedures; and

4 any other recognition, which according to a recognised accreditation body, ensures compliance at least with one of the following standards or equivalent standards: United States QS (21 CFR part 820)15 on quality system regulation; ISO9001/200816 on quality management system; ISO9002/1994 on quality assurance in production, installation and servicing.

e) When Red een Kind procures medical supplies itself, Red een Kind is responsible for ensuring that we meet internationally recognised product standards. The procurement notice sent with the invitation to negotiate shall at least include the following award criteria to be used when assessing the offer(s):

1 respect of the minimum quality standards, such as the WHO's principles of GMP, GSP, GDP and GLP;

2 respect of the national drug regulations in the country of destination; and

3 respect of any intellectual property rights and patent regulation applicable in the country of operation.

f) Where the medical product already enjoys pre-qualification, or the supplier already benefits from pre-certification from an internationally recognised or reputable certification body that meets WHO recommended norms and standards for carrying out quality assessment, prequalification or pre-certification, it is sufficient to record documentation on this in the procurement file. Acceptable proof of quality in this respect may be issued either by the WHO, a Stringent Regulatory Authority, or an HPC. If none of the previous proofs of quality are available in the country of operation, the proof of quality must be issued, after consultation of the back donor (if applicable), by a National Drug Regulatory Authority, or an internationally recognised independent certification authority.

IV - Medical Devices

a) "**Medical device**" refers to an instrument, apparatus, implement, machine contrivance, implant, in vitro reagent, or a component that provides a diagnosis, cure, mitigation, treatment, or prevention of a disease or condition, which does not achieve its intended use by being metabolized or through a chemical reaction. The Global Medical Device Nomenclature (GMDN) system designates 12 categories of medical devices, consisting of more than 10 000 generic groups. Medical devices include any instrument, apparatus, implement, machine, appliance, implant, in vitro reagent or calibrator, software, material or other similar or related article:

1 intended by the manufacturer to be used, alone or in combination, for human beings; and

2 which does not achieve its primary intended action in or on the human body by pharmacological, immunological or metabolic means, but which may be assisted in its intended function by such means, as defined by the Global Harmonization Task Force (hereinafter referred to as the 'GHTF').

b) The procedures mentioned under a), b) and c) re Medical supplies are also applicable to the procurement of medical devices. The invitation to negotiate shall at least include the following contract specifications, to be used by Red een Kind in the award criteria when assessing the offer(s):

1 compliance with essential requirements as described by the GHTF;

2 production in conformity with ISO standards and/or other equivalent standards as recognised by the GHTF;

3 recognition by at least one of the regulatory authorities or an equivalent entity: MPALS License (Australia), Device License (Canada), CE Mark (EU), Device License (Japan), and 510 k Device Letter (USA); and

4 priority shall be given to candidates that have been accredited by a recognized accreditation entity, thus providing proof of compliance with at least one of the following standards or equivalent: Japan QS Standard for medical devices 1128, ISO 1348521 on quality management system of an organization, and ISO9002/1994 on quality assurance in production, installation and servicing.

V - Veterinary medicines

The procurement of veterinary medicines, while not subject to the above-mentioned quality requirements, shall nonetheless be procured by Red een Kind with due respect of the applicable best veterinary practices in the field and, where possible, in consultation with an appropriately qualified animal health expert.

VI - Destruction of Medical Supplies, Medical Devices and Veterinary Medicines

When procuring medical supplies, medical devices, or veterinary medicines Red een Kind must ensure that adequate provisions are in place to ensure respect of internationally recognised best practices in the destruction of any contract-related supplies that are recalled or expired.

VII - Food supplies and transfers

a) When procuring food supplies Red een Kind must ensure that we:

1 comply with any quality standards laid down in the Netherlands and/or the country of destination, whichever has the higher quality standard; and

2 as much as possible, match the nutritional habits of the beneficiary population. The costs of food supplies rejected due to failure to comply with the above-mentioned obligations is usually not eligible. Whenever possible and advisable, knowing the context of our operation, and provided it does not substantially disturb the local beneficiary markets, priority must be given to purchases in the country of operation or in neighbouring countries. It is mandatory to obtain

evidence based on local/regional market analysis that local/regional procurement is not inducing market distortions which could adversely affect vulnerable populations.

b) Red een Kind is responsible for ensuring the quantity and quality of the supplies, including their packaging and marking:

1 when awarding urgent contracts or contracts with a value smaller than EUR 300,000, the Red een Kind is allowed to certify the quantity and quality of the supplies, by means of a suitably qualified member of staff;

2 when awarding contracts of a value exceeding EUR 300 000 Red een Kind must engage an independent recognised verification or inspection entity (e.g. Monitoring Agency) which shall assume responsibility for verifying and certifying the quantity and quality of the supplies. Where a Monitoring Agency is used, it is mandatory to include in the contractual documents the necessary provisions to safeguard maximum transparency and right of access for back donors.

c) when the object of the contract is the supply of fresh food, and, when the contract is divided into several lots taking into account the seasonal availability of products, each lot must be considered individually in order to establish the applicable threshold.

d) Where applicable, the procurement notice must specify the contractual International Commercial Terms ('Incoterms'- link to Incoterms), delivery conditions applied to the supply contract, and must identify the applicable Incoterm edition. When the Incoterms specified in the procurement notice oblige the supplier to take out a transport insurance policy, this insurance must cover at least the awarded tender amount and all risks associated with carriage.

e) Contracts concluded by Red een Kind must include provisions on the accepted tolerance for weight and/or quantities delivered and they must identify the procedure for establishing reductions of price for quality deviations and deliveries beyond the contracted delivery date or period.

ANNEX V

Authorization form deviation from Policy on Procurement

Date:

Prepared by:

Description Exception:

Motivation Exception

Signature member Board of Directors:

Name:

Date: