



## **PROCUREMENT MANUAL**

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## DEFINITION OF TERMS

Award	The process of awarding a contract
Bid	A quotation or proposal submitted by a bidder
Bidder	Any potential participant in a procurement process
Bidding Document	Document for solicitation of offers, proposal or quotations
Contract	Written agreement between the Procuring Entity and Contractor/Supplier
Contractor	Successful bidder that has entered into a contract with the Procuring Entity
Disposal	Selling off the unserviceable, obsolete or surplus supplies of a Procuring Entity
Direct Procurement	Method of procurement that does not require Competitive bidding
Goods	Equipment, Commodities, Products or related items
Government	The Federal Government of Somalia
Organization	ZamZam Foundation
Request For Proposal	Document commonly used in procuring consultancy service
Request for Quotation	Document used for purchase of low value goods
Works	Any construction, installation of equipment and services

## **1.0 INTRODUCTION**

### **1.1 Purpose**

- a) The timely delivery of quality and cost –efficient goods and services is essential to the success of Zamzam Foundation
- b) This manual is prepared to address the specific procurement requirements of Zamzam Foundation. Heads of all departments and all procurement staff are therefore required to familiarize themselves with the guidelines and procedures provided in this manual and strictly adhere to them.

### **1.2 Objectives of the manual**

- a) The objectives of the manual are as follows—
  - i. To standardize policy for soliciting and evaluating offers and selecting suppliers across all Zamzam foundation offices.
  - ii. To provide uniform tools and templates to ensure each transaction is substantially documented
  - iii. To promote best practices in procurement
  - iv. To promote compliance with donor and Zamzam policies
  - v. Promote transparency and accountability
  - vi. Ensure that all controls are in place to safeguard the organization resources;
  - vii. Promote integrity and fairness in procurement processes;
  - viii. Reduce procurement cost and lead time;

### **1.3 The scope of the procurement manual**

- a) The procedures in the manual shall be used in the acquisition, receipt, storage and disposal of goods, services, and works. No activities shall be carried out without reference to this manual. This manual shall—
- b) Be used as a planning tool and reference point of day-to-day operation of the Organization;
- c) Be subject to regular reviews and amendments;
- d) Entail policies and procedures to be adhered to;
- e) Cover procurement planning and budgets preparation and execution;
- f) Cover administration of procurement cycle and contracts;

g) Govern the procurement activities within the thresholds specified in subsequent sections and approval mandates.

#### **1.4 Applicability**

This policy applies to all procurements of goods and services, to be followed by all Zamzam employees for the procurement of goods and services. This policy supersedes any procurement –related policy and/or guidance previously provided. Zamzam will follow the policy herein, except as deemed necessary to comply with certain rules set forth by a particular donor. In case of a conflict, Zamzam will follow the donor’s policies except where this would prejudice Zamzam.

#### **1.5 Ethical standard**

Ethics is the discipline relating to right and wrong, moral duty and obligation, moral principles and values, and to moral character. Most procurement related principles, such as fairness, integrity; transparency and accountability are based on ethics.

Given that Zamzam undertakes procurement using funds entrusted to them by donors’ source or beneficiary, it is imperative that all activities conform to the highest standards of ethical conduct. Every location of the organization as well as all individuals acting on behalf of Zamzam must observe the highest standards of ethics throughout the procurement process.

Corruption and fraud in the operations of organizations depletes funds intended for the accomplishment of defined goals. Corruption and fraud can undermine the effective functioning of organizations and jeopardize their existence. Fraud also has a multiplier effect on diminishing the GDP of a country by the illegal transfer and misappropriation of funds more often designated for lower income individuals.

All Procurement Personnel must maintain an unimpeachable standard of integrity in all business relationships, both inside and outside Zamzam. Ethical conduct shall apply in all dealings with Zamzam clients, donors, Governments, partners and the general public.

Procurement Personnel shall never use their authority or office for personal gain and will seek to uphold and enhance the standing of Zamzam.



## **2.0 Procurement strategy and planning**

### **2.1 Procurement strategy**

Needs assessment, cost estimation and requirement definition are the first steps in the procurement process, and are essential components in the planning of a specific procurement activity. Procurement planning is a complex exercise and emergency work and last-minute operations will always occur. However the benefits of procurement planning usually outweigh the disadvantages. Procurement planning is defined as the process of assessing and projecting the procurement needs of the organization, programme or project in order to determine its procurement strategy. Developing a strategic approach to procurement through appropriate and timely procurement planning is a key element for successful implementation of programmes/projects. This process offers a number of benefits such as:

- Better requirements definition, increased probability to receive of solid offers.
- Improved sourcing and, subsequently, increased competition.
- Mitigation of risk of redundancy, reduced transaction costs and competitive prices due to consolidation of procurement actions and volume effect.
- Reduction of lead times and delays due to the ability to perform procurement activities in advance and proactively.
- Ability to give advance information to suppliers with whom Zamzam has signed long term agreements in order for suppliers to better plan production for shorter lead times.
- Efficiency in the use of resources by avoiding last minute actions.
- Identification of “peak times” (such as year-end closure) when more or larger orders will be requested.
- Prevention of non-compliance with procedures, regulations and rules, for example due to oversights or lack of time. Proper procurement planning is also essential to avoid violating financial limits or threshold established in these Procedures and
- Facilitation of monitoring of procurement activities

### **2.2 Requirement definition**

Requirement definition is the first step in the implementation of a procurement process, and an integrated step in its planning. However, requirement definition is often done in parallel with

supplier sourcing and market research in order to let information from the market research influence the requirement definition. Requirement definition and market research are also known as pre-solicitation activities

In order to avoid receipt of inappropriate equipment, supplies or services, as well as to enable suppliers to compete fairly, it is essential that requirements must be clear, concise and flexible (generic) and supporting information as detailed as possible. The Logistic officer is responsible for ensuring that all requirements and supporting information for purchase and delivery of the requested goods and/or services are appropriate.

### 2.2.1 Specifications

Used typically for the procurement of goods, but also for well-defined services.

- Definition: Description of what the purchaser wants to buy and, consequently, what the supplier is required to provide.
- Types of needs that can be included in the specification:
  - ✓ Functional specifications (defining what the goods are required to do).
  - ✓ Performance specifications (defining the output of the goods).
  - ✓ Conformance (technical) specifications (defining the physical characteristics and dimensions of the goods).
- If generic specifications are not available, available specifications and the words “or equivalent and equivalent in performance” must be included in the solicitation documents. Otherwise, the Logistic officer must provide justification in writing in the procurement file when a brand or model is essential.

### 2.2.2 Terms of Reference (ToR)

- Used primarily for procurement of services.
- Definition: ToR defines the work required of a supplier to provide the solicited services.
- ToR can also be used for goods when the requirement cannot be quantitatively defined.
- ToR include:
  - ✓ Background for requesting the service.
  - ✓ Objective and scope of the service and overall impact.

- ✓ Expected output from service.
- ✓ Activities required reaching this output.
- ✓ Inputs provided by Zamzam and the contractor, which are required to perform activities.
- ✓ Deliverables (such as reports).
- ✓ Timing.
- ✓ Constraints.
- ✓ Key Performance Indicators.

## **2.3 Acquisition planning**

### **2.3.1 Annual Procurement Plans**

During the first quarter of every year, i.e. during the developing period of the work plans, the Logistic officer is responsible for collecting and consolidating all products and services that are foreseen to be procured by Zamzam during the same calendar year. Based on this information, a local procurement plan should be developed not later than the 31st of March of every year for each field office. The plan should capture as many procurement actions as can possibly be foreseen and be as detailed as possible. The standard templates should be used.

## **2.4 Updating and monitoring of Procurement plans**

- The procurement plan shall form the basis for monitoring procurements, this should be reviewed and updated on quarterly basis
- The main reason of monitoring is to compare the planned activities against the actual activities
- The head of procurement prepare a quarterly updated procurement plan and submit the same to the director for review and approval

## 3.0 SOURCING

### 3.1 Sourcing of vendors

The sourcing process enables identification of suitable suppliers, and can also provide valuable information about products and specification, and contribute to the determination of the method of solicitation and type of competition.

### 3.2 Market Research

Market research is the first step in the sourcing process, particularly if the product or service has not been procured previously. Knowledge about the market is a fundamental step in a successful procurement process.

The following tools are available to assist in the market research:

- ✓ Advertisement of business opportunity.
- ✓ Expression of Interest.
- ✓ Request for information.
- ✓ Pre-qualification of vendors
- ✓ External sources like internet
- ✓ Internal sources i.e. vendor database.

The result of the market research stage shall be a list of potential suppliers. This list shall be created based on the following criteria

- ✓ The widest possible geographic representation must be achieved.
- ✓ Due consideration must be given to local suppliers and new emerging markets.
- ✓ If a pre-qualification process has been undertaken for a specific procurement activity, all suppliers meeting the pre-qualification criteria shall be short.
- ✓ As a general rule, the supplier's technical and financial capacity should be comparable to the estimated value of the contract and the nature of the requested needs.
- ✓ The standard short-list form shall be used to create short-lists.
- ✓ As a minimum 5 independent suppliers should be shortlisted for procurement values greater than USD 50,000.
- ✓ A shortlist should never contain less than 3 independent suppliers except under monopolistic market.

### **3.3 Advertisement / Request for Expression of Interest**

#### **3.3.1 Advertisement of business opportunity**

In open formal methods of solicitation, this refers to the advertisement of the business opportunity.

#### **3.3.2 Request for Expression of Interest**

In limited formal methods of solicitation, this refers to the dissemination of upcoming solicitation information through a request for Eol, issued in appropriate media, such as local newspapers.

Eol advertise a procurement opportunity with the objective of conducting a bid process, and can be an effective method to search for suitable suppliers when unknown. An Eol provides general information on the requirements for goods or services. Suppliers express interest by submitting company information and details demonstrating experience and qualifications in provision of the relevant goods or services. The information provided by suppliers is assessed, and suppliers are considered for inclusion in a subsequent bid process. At least two weeks should be allowed for suppliers to express interest. The posting time should be commensurate with the complexity of the procurement.

#### **3.4 Request for Information**

Request for Information (Rfi) – requests the players in an industry to provide information about available products, technologies, services, qualifications and experience in order to gain required knowledge before writing the specifications. Similar media as for Eol can be used to advertise Rfi.

#### **3.5 Pre-qualified Bidders**

The purpose of Pre-qualification is to ensure that the procurement function provides quality services, timely availability of materials, works and services. For transparent and accountable manner

- a) Zamzam shall only deal with a dedicated numbers of suppliers who have shown or demonstrated ability to provide the organization with the goods, services or works in an efficient manner
- b) Zamzam shall accept the most competitive bidder based on evaluation criteria

- c) Zamzam shall not source products/services from suppliers implicated in illegal activities
- d) Pre-qualification can be conducted where;
  - i. The works are highly complex, specialized and require detailed design or methodology;
  - ii. The cost of preparing a detailed bid would discourage competition;
  - iii. The bidding is for a group of similar contracts; and
  - iv. It may be required on Donor funded Procurements
- e) The scope of the contract and a clear statement of the requirements for qualification shall be sent to those who responded to the invitation to pre-qualify. ZamZam foundation shall inform all applicants of the results of pre-qualification.
- f) Zamzam shall inform all applicants of the results of pre-qualification. Following pre-qualification, the bidding documents shall be made available to the qualified prospective bidders.
- g) For pre-qualification for groups of contracts to be awarded over a period of time, a limit for the number or total value of awards to any one bidder may be made on the basis of the bidder's resources.
- h) The list of prequalified firms in such instances shall be reviewed annually and updated as necessary.
- i) Verification of the information provided in the submission for pre-qualification shall again be confirmed prior to award of contract, and award may be denied to a bidder that is judged no longer to have the capability or resources to perform the contract successfully.

## **4.0 SOLICITATION**

### **4.1 Overview**

Solicitation is the step in the procurement process where the Procurement Personnel invites suppliers to submit offers.

There are different ways of soliciting offers. Therefore the first step is to define the method of solicitation: Shopping; Request for Quotation; Invitation to Bid; or Request for.

### **4.2 Financial limits**

The following applies to procurement requests with estimated total costs of goods and/or services of: -

- Under USD 499, shopping to achieve best value for money.
- USD 500 – USD 49,999: Seeking a minimum of 3 responsive quotations through an informal method of solicitation (Request for Quotation).
- USD 50,000 and above: Seeking a minimum of 3 responsive offers through a formal method of solicitation (Invitation to Bid or Request for Proposal).

#### **4.2.1 Pre-clearance for solicitations exceeding USD 100,000**

Regardless of the type of competition, all solicitations of a value exceeding USD 100,000 must be pre-cleared by the Board of trustees prior to being issued.

### **4.3 Types of competition**

#### **4.3.1 Open international competition in RFPs**

Open international competition is the default method of competition as it best satisfies the principles of Best Value for Money, Transparency and Effective Competition. The purpose of open international competition is to secure value for money and to provide all potential suppliers with adequate and timely notification of Zamzam's requirements and equal access and fair opportunity to compete for contracts for required goods or services. Open international competition is most transparent way of conducting a competitive tender process.

Procurement opportunities should be advertised and distributed, in the case of open competitions, in ways that would lead to the most beneficial responses, such as advertisement on specialised websites, specialized magazines, etc.

#### **4.3.2 Limited international competition in RFPs**

Limited international competition allows participation in the solicitation of only selected suppliers. In Zamzam, this methodology may only be pursued when pre-qualification has been identified as the most suitable procurement strategy and an open pre-qualification exercise was undertaken.

#### **4.4 Solicitation methods**

Procurement contracts shall be awarded on the basis of effective competition, and to this end, the competitive process shall, as necessary, include:

- ✓ formal methods of solicitation
- ✓ Utilizing invitations to bid.
- ✓ Requests for proposals on the basis of advertisement.
- ✓ Direct solicitation of invited suppliers.

The following methods of solicitation shall be used in connection with the monetary values indicated below.

##### **4.4.1 Informal methods of solicitation (under USD 500)**

The Logistic officer should obtain prices orally or in writing. Prices obtained orally shall be written down in the procurement file. Price research is done by informal, pragmatic and reasonable means, such as telephone calls, internet or shop/site visits. For items to be purchased for the threshold for shopping is USD 500.

##### **4.4.2 Formal Methods of Solicitation (USD 500 and above)**

###### ***Invitation to Bid***

Invitations to bids are used for procurement processes equal to or above USD 500 when the requirements can be specified quantitatively and qualitatively. It is primarily used when procuring goods or well-defined services.

The following must be followed when conducting an invitation to tender.

- The invitation to tender is open to international competition through public posting through the internet which is the default method of formal solicitation at Zamzam and for limited



international competition procurement; the invitation to tender is made accessible to a selected number of suppliers. In both cases, suppliers may also be notified of the solicitation by email.

- The solicitation must remain open for at least three weeks. For low-value (less than USD 100,000), non-complex processes, or on an exceptional basis (such as when there is an urgency not caused by a lack of planning), this period may be reduced to two weeks. The justification must be provided when seeking approval from the General Director to issue the solicitation.
- Specifications, requirements (quality, delivery terms and dates, quality assurance, etc.), quantity estimates, payment terms, evaluation criteria, and other criteria must be included in the solicitation documents. Criteria defining substantial responsiveness/no responsiveness must be used in order to establish objective measures with which the various aspects of the offer are analyzed. These may include requirements pertaining to the goods (technical specifications), services (terms of reference) and/or the supplier (qualification requirements).
- Any samples required should be requested in the solicitation documents along with deadlines and how, where and when they should be sent (and return, if applicable). Because samples can get caught in customs, it is prudent to send samples separately from bids. If samples will be required as part of the evaluation, special considerations must be taken into account (see Guidelines on specifications).
- The deadline, date, hour, time zone, place and method(s) for submission of bids and the required validity of bids must be specified in the solicitation documents with any markings required on the bid to indicate its contents. The deadline for receiving bids is an absolute deadline.
- E-mail communications are permissible in issuing information to bidders simultaneously and in the clarification of queries.
- Questions from any bidder and clarifications from Zamzam must be communicated simultaneously to all bidders; the method of communicating questions and answers shall be included in the solicitation documents.

- Revisions or cancellations to the solicitation must be communicated using the same means as the initial solicitation.
- Bids containing price and/or technical information must be submitted in sealed envelopes clearly marked “sealed bid” or through a secure email address or internet site dedicated to the bid process.
- Bids must be received by Personnel not involved in the procurement process and must be placed in a secure area, sealed and kept confidential until the opening of all bids. If received in electronic version, they are to be kept in a secure electronic location (secure inbox, folder, server, etc.).
- Bids received after the stipulated deadline must not be considered.
- In accordance with Zamzam’s Archives and Records Management policy, all bids must be kept in file and for auditing purposes for the minimum period of time required in the policy.
- For the opening of the bids, the steps and considerations must be taken into account.
- When less than 3 responsive bids have been received, reasonableness of price must be checked, e.g. through market survey, comparison with prices obtained previously for similar goods/services.

### *Request for Proposal*

Like ITBs, RFPs are used for procurement processes equal to or above USD 50,000. However, RFPs are used for processes where requirements cannot be quantitatively and qualitatively expressed in the specifications at the time when the solicitation is issued. RFPs are generally used for the procurement of services that can be provided in different manners or via different approaches and methodologies.

An RFP requests a proposal offering a technical solution to the requirements specified in the solicitation document, as well as a separate financial proposal indicating all costs associated with carrying out the proposal. The RFP always requires suppliers to submit the technical and financial proposals sealed separately (under the so-called “two envelope” system) in order to preserve fairness and confidentiality in the process. The purpose of the two-envelope system is to ensure that the technical evaluation can be undertaken focusing solely on the contents of the technical proposals without bias arising from the financial aspects of the proposals.

Thereafter, an evaluation comparing all factors, both technical and financial, is carried out as outlined below.

**The following steps must be followed when conducting an RFP:**

- The RFP is open to international competition through public posting, the default method of solicitation at Zamzam. Suppliers may also be notified of the solicitation by email.
- The solicitation must remain open for a minimum of four weeks. For low-value (less than USD 50,000), non-complex processes or on an exceptional basis (such as when there is an urgency not caused by a lack of planning), this period may be reduced to two weeks. The justification must be provided when seeking approval from the General Director to issue the solicitation.
- Specifications, requirements (quality, delivery terms and dates, quality assurance, etc.), quantity estimates, payment terms, evaluation criteria, and other criteria must be included in the solicitation documents. These may include requirements pertaining to the goods (technical specifications), services (terms of reference and/or the supplier (qualification requirements)).
- Any samples required (if applicable) should be requested in the solicitation documents along with deadlines and how, where and when they should be sent (and returned, if applicable). Because samples can get caught in customs, it is prudent to send samples separately from proposals. If samples will be required as part of the evaluation, special considerations must be taken into account.
- The deadline, date, hour, time zone, place and method(s) for submission of proposals and the required validity of proposals must be specified in the solicitation documents with any markings required on the proposal to indicate its contents. The deadline for receiving proposals is an absolute deadline.
- E-mail communications are permissible in issuing information to bidders simultaneously and in the clarification of queries.

- Questions from any bidder and clarifications from Zamzam must be communicated simultaneously to all bidders; the method of communicating questions and answers shall be included in the solicitation documents.
- Revisions or cancellations to the solicitation must be communicated using the same means as the initial solicitation.
- Proposals containing price and/or technical information must be submitted in sealed envelopes clearly marked “sealed bid” or through a secure email address or internet site dedicated to the bid process (submissions by fax are not permissible as dedicated and secure fax lines are not practical in most locations).
- Proposals must be received by Personnel not involved in the procurement process and must be placed in a secure area, sealed and kept confidential until the opening of all proposals. If received in electronic version, they are to be kept in a secure electronic location (secure inbox, folder, server, etc.).
- Proposals received after the stipulated deadline must not be considered.
- In accordance with Zamzam’s Archives and Records Management policy, all proposals must be kept in file and for auditing purposes for the minimum period of time required in the policy.
- For the opening of the proposals, the steps and considerations provided in section 7.4.2 (Bid Opening Panel) must be taken into account.
- When less than 3 responsive proposals have been received, reasonableness of price must be checked, e.g. through market survey, comparison with prices obtained previously for similar services.

## **4.5 Solicitation documents**

### **4.5.1 Preparation of solicitation documents**

The standard documents are templates, which contain Zamzam’s mandatory terms and conditions customized to fit the specific procurement process being undertaken. These documents are to be completed with the specific details applicable to each solicitation.

When soliciting offers from suppliers following a method of solicitation, Zamzam standard documents must be used. The documents that constitute a solicitation consist of the following elements:

- a) Letter of invitation and instruction to suppliers.
- b) Definition of requirements (specifications/TOR).
- c) Contractual information.
- d) Offer submission forms.

#### **4.5.2 Types of solicitation documents**

There are three types of solicitation documents. In all three cases, the specific Zamzam-designed templates must be used. Furthermore, each type of solicitation will be accompanied by the following:

- 1) Request for Quotation: Zamzam template must clearly communicate the requirements and the basic quotation conditions to all suppliers.
- 2) Invitation to Bid. The technical requirements for an ITB are generally defined in the technical specifications. These specifications must be an integral part of the solicitation documents.
- 3) Request for Proposals (RFP Templates): RFPs are typically accompanied by terms of reference (ToRs).

#### **4.6 Components of solicitation documents**

- a) Letter of invitation and instruction to bidders
- b) Definition of requirements
- c) Contractual terms
- d) Offer submission forms

## **4.7 Invitation of vendors**

### **4.7.1 Approval and issuance of solicitation documents**

When the solicitation documents are completed, the following must be complied with before proceeding to the distribution of the documents:

- All solicitation documents of a value exceeding USD 100,000 must be pre-cleared by the Logistic officer.
- The solicitation documents shall be issued and distributed simultaneously to all suppliers, by mail, courier, fax, or email, and be made available electronically with a view to giving all suppliers the same opportunity to respond.

In “limited international competition” the solicitation documents shall solely be made available to the suppliers on the short list. The solicitation documents shall be issued and distributed simultaneously to all suppliers, by mail, courier, fax, or email, or be made available electronically on the internet, with a view to giving all invited suppliers the same opportunity to respond.

Where the solicitation documents state that offers are accepted by email, a dedicated email address for receipt of offers must be created. The email address must be specified in the solicitation documents, and it must be made clear that only offers sent to the dedicated email address will be accepted.

### **4.7.2 Solicitation of offers in situations of direct contracting**

When direct contracting is justified because one or more than one of the exceptions to the use of formal methods of solicitation under Zamzam rule apply (see section 6.8, Exceptions to the use of formal methods of solicitation), an offer is requested from only one supplier. Nevertheless the appropriate standard solicitation documents or standard instructions to bidders and General Conditions of Contract must be sent to the supplier in order to ensure inclusion of all details, and awareness of Zamzam’s expectations and requirements.

## **4.8 Communication with vendors**

### **4.8.1 Queries from suppliers, pre-bid conference and site inspection**

During the tender period, no communication regarding the contents of the solicitation documents or the proposals is permitted between the potential suppliers and Zamzam, except through the methods of handling queries described below.

Queries from suppliers must be handled by correspondence and/or by a pre-bid conference followed by written minutes made available to potential bidders. Bidders seeking clarifications by phone should be discouraged to do so and asked to submit written requests.

Suppliers requiring clarifications to the tender documents must submit their queries in writing to Zamzam. Zamzam will prepare and dispatch written replies to such queries, and make all replies known, together with the text of the queries, to all suppliers at the same time, without referencing the source of the queries.

For technically complex acquisitions, a pre-bid conference between Zamzam and the suppliers could be held in addition to, or instead of, issuance of written clarifications. Such a conference may be in the form of a meeting or a site inspection. When conducting a pre-bid conference or site inspection, the following instructions must be adhered to:

Confidentiality of the short list in a case of a limited competition where the solicitation documents are only being made available to a short list of selected suppliers, Zamzam shall not disclose the names of any shortlisted companies. The number of short-listed companies may be disclosed to the suppliers in the short-list but not their names.

### **4.9 Exceptions to formal methods of solicitation**

In accordance with Zamzam rules, the General Director may determine, for a particular procurement activity, that using formal methods of solicitation is not in the best interest of Zamzam when.

1. The value of the procurement is below a specified monetary threshold established for formal methods of solicitation.

2. This monetary threshold is USD 50,000. Informal methods of solicitation apply below this threshold. There is no competitive marketplace for the requirement, such as where a monopoly exists, where prices are fixed by legislation or government regulation, or where the requirement involves a proprietary product or service.
3. There has been a previous determination with regard to an identical procurement activity, or there is a need to standardize the requirement following recent procurement activity.
4. Offers for identical requirements have been obtained competitively within a reasonable period and the prices and conditions offered by the proposed contractor remain competitive.
5. A formal solicitation has not produced satisfactory results within a reasonable prior period.
6. The proposed procurement contract relates to obtaining services that cannot be evaluated objectively.



## **5.0 MANAGEMENT OF SUBMISSIONS**

### **5.1 Receipt and safeguarding of submissions**

If offers by email are accepted when formal methods of solicitation are used, a dedicated secure email address must be set up, and it must be clearly stipulated in the solicitation documents that offers sent to any other email will be rejected. When formal methods of solicitation are used, offers must be rejected if they are:

- Received by email other than the secure email specified in the solicitation documents.
- Received at any other location or by any person other than those specified in the solicitation documents; and/or.
- Received after the deadline for submission of bids stated in the solicitation documents.

### **5.2 Modification and withdrawal of submissions**

#### **5.2.1 Modification of submissions**

Suppliers may modify their offers in writing prior to the submission deadline. The modification shall be submitted in a sealed envelope, or to the dedicated email, and shall be treated by Zamzam like any other offer. Any modification of the offer after the submission deadline shall not be accepted unless such modification is due to obvious errors or omissions.

#### **5.2.2 Withdrawal of submissions**

Withdrawal of submissions by the suppliers can only be accepted if Zamzam is notified in writing, in a sealed envelope or to the dedicated email, prior to the deadline for submission of offers. The withdrawn offer shall be separated from the other bids/proposals prior to bid opening, and shall not be opened.

### **5.3 Unsolicited offers – Limited competition**

The concept of unsolicited offers applies only in limited tender processes, i.e. when a number of selected suppliers were short-listed and invited to tender. In the case of open competition, all offers received are considered solicited.

In general, unsolicited offers (i.e. offers from suppliers that Zamzam has not invited to participate) may be accepted as long as:

- The supplier complies with all the requirements of the solicitation documents (i.e. the deadline for submission of offers, the mode of submission, and all other requirements).
- Upon the request of Zamzam, the supplier submits a written statement, certifying that the solicitation documents have been received from persons other than Zamzam Personnel.

## **5.4 Opening and recording of submissions**

### **5.4.1 Opening of offers**

The opening of offers must be handled transparently in order to ensure that only valid offers are evaluated and that all suppliers are treated in fair and non-discriminatory manner.

Normally, offers should be opened immediately after the deadline for submission, or shortly thereafter (a few hours). Hence, it is recommended that the address for submission and the one for opening of offers is the same.

When during the solicitation period the same bidder submitted several offers superseding each other, only the last received offer shall be opened. As long as opening of offers has not taken place, offers shall be kept by the individual in charge of bid receipt and shall be handled in a confidential manner. Offers shall not be shared with the bid evaluation team or Procurement Personnel until they have been opened.

### **5.4.2 Bid opening panel**

When formal methods of solicitation are used, offers are to be opened by a bid opening panel. In order to ensure impartiality of the proposal opening process, a bid opening panel composed of at least two Personnel and where at least one individual has no involvement in the subsequent stages of the procurement process, must be formed for the opening of the bids or proposals. During bid/proposal opening meeting, the panel should identify any immediately detected omissions or defects in the offers and record them in the bid opening report.

### **5.4.3 Opening of quotations**

For RFQs, an informal method of solicitation, no bid opening panel is required and offers do not need to be recorded in a bid opening report.

#### **5.4.4 Opening of bids**

ITB If bids have been obtained pursuant to an ITB, and the value of the procurement is expected to amount to USD 50,000 or more, the bids shall be opened publicly at the time and place specified in the ITB and immediate record made thereof.

#### **5.4.5 Opening of proposals**

RFP Due to the two-envelope system where financial proposals are not to be opened without the completion of a technical evaluation, a public opening of proposals received is not necessary. Thus, in the case of an RFP, only the technical proposals are opened as a first step of the opening, while the financial proposals are kept sealed by the individual in charge of receiving bids.

#### **5.4.6 Rejection of submissions**

Invalid bids and proposals must be rejected by the evaluation team. Zamzam will not accept offers after the date and time stated as the deadline for submission of offers. Offers received after the designated date and time must be rejected and the supplier informed accordingly by Zamzam. Bid securities have to be returned to the bidders.

Reasons for rejection of the offer must be given to the bidder so they can comply in the proper manner in future.

## **6.0 EVALUATION OF SUBMISSIONS**

### **6.1 Overview**

Evaluation is the process of assessing and comparing offers in accordance with the evaluation methodology stated in the solicitation documents aimed at determining which offer best complies with the defined evaluation criteria, and thus, represents the best value for Zamzam.

The evaluation phase must not begin until after the deadline for submission of offers to ensure confidentiality and reduce the potential for fraud in the procurement process.

During the evaluation, the offers are reviewed, compared and ranked. The evaluation process is critical, since it culminates in a recommendation and a request for an award of a contract. For this, coherence between the evaluation criteria specified in the solicitation documents and the method of evaluation used in the end to select a supplier must be maintained. Evaluation criteria can under no circumstances be altered during the evaluation process. A change of evaluation criteria during evaluation goes against the principle of transparency of the procurement process and conflicts with the principles of fair and equal treatment of suppliers.

The evaluation process comprises the following steps:

1. Establishment of evaluation team.
2. Receipt of opening report.
3. Preliminary evaluation
4. Technical evaluation.
5. (Post) qualification.
6. Commercial (Financial) evaluation)
7. Clarifications, if required.
8. Identification of the winning offer.
9. Evaluation report
10. Negotiation, if applicable.

## **6.2 Evaluation committees**

In order to conduct a fair and unbiased evaluation of offers, evaluation must be undertaken by a team consisting of at least three members but should not normally exceed five.

The purpose of the evaluation team is to verify that the suppliers and their offers satisfy the requirements of the solicitation documents, and to evaluate the offers according to the predefined evaluation criteria.

The evaluation team members shall provide objective and independent advice based on their knowledge of the specific subject matter. The evaluation team must be chaired by an experienced individual.

The Logistic officer responsible for carrying out the respective procurement process shall prepare evaluation documents in accordance with the evaluation criteria stated in the solicitation documents, and brief the evaluation team members about their role ensuring their familiarity with the applicable evaluation criteria.

## **6.3 Evaluation criteria**

There are three categories of evaluation criteria:

- Formal criteria.
- Technical and qualification criteria.
- Commercial (Financial) criteria.

## **6.4 Evaluation methodology**

### **6.4.1 Selection and award**

It must be clearly stated in the solicitation documents how contracts will be awarded (e.g. to the lowest priced, most technically acceptable offer; to the lowest priced substantially compliant offer; or to the offer scoring highest overall), and which criteria will be applied in the evaluation to determine compliance or technical rating to allocate points.

### **6.4.2 Material deviation**

Zamzam must ensure that bids are only rejected whenever deviation to the requirements is material (see below). In order to achieve value for money, it is important not to disqualify bids solely for non-material (minor) deviation(s).

### **6.4.3 Evaluation methodologies**

Depending on the chosen mode of solicitation, various evaluation methodologies emphasizing different criteria in the evaluation of the submitted offers will apply.

### **6.5 Preliminary screening**

In order to avoid spending further resources on the evaluation of invalid offers, the evaluation team should eliminate offers containing material deviation at an early stage of the evaluation process by performing a preliminary examination of offers against the formal criteria.

The evaluation team should eliminate offers in the following situations (material deviation).

### **6.6 Commercial (Financial) evaluation**

Comparison should be done on the offers with the financial criteria stipulated in the solicitation document and determine the price to base the evaluation upon.

### **6.7 Technical evaluation**

#### **6.7.1 Technical compliance evaluation**

Well defined requirements are paramount and usually reward the time and efforts taken to produce correct specifications with easy, fast and successful technical evaluation. Therefore, efforts should be concentrated on defining the correct specifications prior to the start of solicitation process.

### **6.8 Further aspects of evaluation**

#### **6.8.1 Indication of potential fraud**

While conducting evaluation of bids or proposals, the evaluation panel should satisfy itself that there is no indication of fraud, price-fixing or suspicious actions on the part of some bidders that might point out to the existence of a cartel.

### **6.9 Discussion with vendors**

#### **6.9.1 Clarifications from suppliers**

In principle, offers shall be evaluated based upon the information provided in the offer. However, after the submission of offers, clarifications to the offers are sometimes required from suppliers in order to be able to conduct a proper evaluation process. The purpose of such clarifications is to clarify any aspects of the offer, and not to add or delete aspects of the offer, or otherwise modify any portions of the offer.

### **6.9.2 Complaints**

Replies to complaints made by bidders during (and after) bid evaluation must be in line with what may or may not be disclosed, as stated in the tender document.

### **6.10 Modification of offers**

Suppliers may modify their offers in writing prior to the submission deadline. The modification shall be submitted as per the submission instructions, and shall be treated like any other offer by Zamzam.

### **6.11 Negotiations**

Negotiations are made after selection of the supplier, but prior to award of contract, with the purpose of ensuring best value for money for Zamzam in the procurement process without compromising the principle of fair and equal treatment of all suppliers.

## **7.0 PROCUREMENT PROCESS REVIEW AND DECISIONS**

### **7.1 Organization of procurement review**

#### **7.1.1 Preparation of submission for review and award**

In order to facilitate the review process and subsequent award by the Logistic team, documentation must be prepared summarizing the procurement activity including all procurement actions taken, providing adequate justification whenever standard procedures have not been followed, and establishing how the procurement activity has complied with the procurement principles and applicable policies and procedures. The documentation is an important part of the procurement file, and care must be taken to ensure that the documentation provides a complete and exact picture of the actual process.

#### **7.1.2 Terms of Reference**

The General Director shall review proposed procurement actions requiring review with regard to compliance with:

- The regulations, rules, policies and procedures of Zamzam relating to procurement.
- The procurement principles as per Zamzam Financial Regulation.

#### **7.1.3 Organization of work/Schedule**

The General Director convenes meetings when deemed necessary. To avoid delaying review of any requirement, a meeting shall be convened within seven days of submission receipt.



## **8.0 AWARDS**

### **8.1 Award and finalization**

#### **8.1.1 Identification of the winning offer**

When using the 'lowest priced, most technically acceptable' methodology (Shopping/RFQ), the lowest priced offer determined to be compliant is generally selected as the winning offer. However, this methodology offers the flexibility of selecting the most compliant technical offer should none of the offers be fully technically compliant.

Exceptionally, selection of a higher priced offer can be justified if the difference in price is less than 10% while the technical qualities of the selected offer by far surpass those of the lowest priced offer.

Selection of an offer other than the lowest priced compliant one requires well documented justification that must be kept in the file for audit purposes.

#### **8.1.2 Suppliers with pending claims**

disputes and contentious issues In the event that Zamzam has a dispute, claim or other contentious issue pending with a supplier, that either compromises or calls into question the ability of that supplier to perform or where performance would be inconsistent with the effective resolution of any dispute.

#### **8.1.3 Award**

When a supplier is awarded a contract, a Vendor Profile form shall be filled out and signed by the vendor. The Logistic officer shall verify that information submitted is correct by performing reference checks, consulting the vendor's website, brochures, etc.

#### **8.1.4 Vendor notification, debriefing and protest**

##### ***Vendors not awarded.***

Suppliers that submitted a bid but were not awarded a contract should be, either verbally or in writing, notified by the office having issued the contract as a matter of courtesy given the effort bid preparation takes.

## **9.0 CONTRACTUAL INSTRUMENTS & CONTRACT MANAGEMENT**

### **9.1 Contractual Instruments**

As per Zamzam rule a procurement contract is a legal binding document between Zamzam and the supplier, and defines, at a minimum, the nature of the product being procured, the quantity being procured, the overall contract and/or unit price, the period covered, conditions to be fulfilled, including the Zamzam General Terms and Conditions, terms of delivery and payment, and those details required to identify the supplier (i.e. name and address). Thus, the contract must reflect the offer made by the supplier in response to Zamzam's requirement, acts as a proof of the obligations made by both parties and protects the interests of Zamzam.

Contracts shall be awarded within the offer validity period. If it is not possible to award the contract within the original period of offer validity, an extension of the offer validity period must be requested from all the bidders. A bidder may refuse the request without forfeiting its bid/proposal security. The bid/proposal securities of bidders refusing the request to extend the validity of their bid/proposal must be returned as promptly as possible.

#### **9.1.1 Communication with suppliers**

The purpose of communicating at this stage with the supplier(s) is to clarify any issues remaining unclear and not defined by the requirements in the solicitation documents, either by the supplier's offer, but which are essential for proper implementation of the contract (e.g. defining milestone payments against deliverables). Such communication should result in a clear understanding of the terms and conditions agreed upon by the parties and their respective responsibilities under the contract.

#### **9.1.2 Standard contract elements**

Standard elements of the contract include:

- The specific contract.
- Zamzam General Terms and Conditions. Depending on the nature of the contract, the contract will include other elements, such as technical specifications, Terms of Reference,

template for performance securities. For ease of reference, the suppliers' offer might be attached as an annex.

The contract must at a minimum identify the following:

- The parties contracting.
- Nature of the goods/services being procured and the quantity provided, as well as the terms of delivery.
- Consideration (i.e. contract and/or unit price to be paid and terms of payment).
- All other elements those are indispensable for the proper and flawless execution of the contract.

## **9.2 Contract management**

The purpose of contract management is to ensure that all parties to the contract fully meet their respective obligations as efficiently and effectively as possible, delivering the business and operational outputs required from the contract and providing value for money. It also protects the rights of the parties and ensures required performance when circumstances change. Contract management is aimed not at finding fault, but rather at identifying problems and finding solutions together with all contracting parties involved.

### **9.2.1 Vendor performance evaluation**

Evaluating the performance of vendors is important, as it allows Zamzam to identify performance gaps, communicate these gaps to vendors and put in place supplier development programmes. Such communication allows more collaborative relationship with vendors and usually leads to added benefits. It also allows Zamzam to be more strategic with supplier sourcing activities.

### **9.2.2 Remedies**

A breach of contract may entitle the non-breaching party to certain remedies.

Good practice for choosing the appropriate remedy is to:

- Identify the non-conformance.
- Consider the cause (negligence from supplier, force majeure, etc.)

- Consider the contract/type of requirement (goods, services or works).
- Consider the context (e.g. sole source, competition, emergency).
- Consider the beneficiary/end-user requirements.
- Apply principle of proportionality.

When considering any contract remedy, seeking feedback from the supplier is prudent. As a practical business matter, the supplier should be given an opportunity to provide evidence against pursuing the remedy. That evidence might point to an excusable delay or impossibility of performance. Such evidence can lead to a remedy that is fair and just for both Zamzam and the supplier.

### **9.2.3 Termination**

In some cases, the failure of one party to perform may give rise to the other party cancelling the contract. Cancellation occurs when one party puts an end to the contract for breach by the other. The remedies for that breach normally include damages that indemnify the non-breaching party for any loss suffered due to breach and such damages generally are compensatory.

### ***Liquidated damages***

The parties to a contract may expressly agree, in advance, to a sum that will be payable as damages for any breach. These liquidated damages are an estimate of actual loss that would be incurred and are not considered a penalty. Provisions for liquidated damages are included in the special conditions of the Zamzam standard contracts. When delays result in extra costs, or loss of revenue or loss of other benefits to Zamzam, liquidated damages are paid by the supplier to Zamzam to cover costs incurred by the delay.

### **9.2.4 Dispute resolution**

Ideally, contracts should be clear and the responsibilities and obligations of both the supplier and Zamzam must be clearly defined in order to minimize the possibility of disputes and disagreements.

However, no matter how well a contract is drafted and its performance managed, disputes can and do arise. As potential disputes must be considered throughout the procurement process in

order to resolve any dispute should it ultimately arise, a good understanding of how disputes are resolved is fundamental to effective procurement.

The preferred means of commercial dispute resolution is negotiation. All negotiations are based on an openness to compromise, which often is less costly than alternative methods of dispute resolution.

#### **9.2.5 Financial management and payments**

Zamzam should adhere to timely processing of invoices for payment, according to the terms of the contract as well as the review of financial implications of contract changes, and the liquidation of financial securities (i.e. release of performance and advance payment securities) once the reason for requesting them no longer exists.

#### **9.2.6 Amendments and change management**

Change management is the handling of changes that arise during contract execution, typically involving variations in costs or requirements that were not originally anticipated, but are not in dispute. Change management includes both avoiding unwanted changes as well as incorporating necessary changes into the contract.

It is the responsibility of Procurement Personnel to:

- ✓ Negotiate the appropriate contract changes regarding cost, schedule, and quality and performance ensuring that the contract is amended so that it at all times defines the agreed expectations of both parties under the contract. The amendments must be documented to the contract file.
- ✓ Ensure that the change conditions are reasonable and justifiable in terms of cost, time, and quality.

Once a contract has been awarded and signed, it may be amended only if the contract provisions allow modifications and if additional related goods or services are to be provided/rendered by the same supplier in furtherance of the execution of the original contract. All other situations call for a new competitive selection process and establishment of a new contract.

### **9.2.7 Contract termination or closure**

Contract completion entails the confirmation that all obligations have been met, identification of any residual obligations and how they will be fulfilled, settlement of final payments, assessment of contractor, and the administrative closing of files.

Procurement Personnel must verify the following key steps in order to close a contract:

- All products and/or services required have been provided to the buyer.
- Documentation in the contract file adequately shows receipt and formal acceptance of all contract items.
- No claims or investigations are pending on the contract.
- Any Zamzam furnished property has been returned to Zamzam and discrepancies in number and condition resolved.
- All actions related to contract price revisions and changes have been concluded.
- All outstanding subcontracting issues have been settled.
- If a partial or complete termination was involved, action is complete.
- Original copies of all warranty documentation, including expiration dates, responsibilities and procedures to follow are finalized.
- Any required contract audit has been completed.
- The final invoice has been submitted and paid.
- Performance securities have been returned to their owners.
- Supplier performance evaluation has been completed (if applicable).

### **9.2.8 Maintenance of files**

A procurement filing system must be established in order to capture all information related to the various procurement activities. In addition to information documenting the procurement process, the file must include all information required to successfully administer the contract. Any issues of clarification or change of the contract must be fully documented in this file.

It is important to carefully document contract performance:

- In order to provide evidence of the performance of the supplier.
- In the event of disputes

- In order to form an institutional memory; and
- For audit purposes

The following documents must be kept on file for the duration specified in the Zamzam retention period.

- Solicitation documents, including lists of invitees and bidders.
- All submissions from vendors (awarded, as well as not awarded).
- Bid receipt and opening reports.
- Documents related to the technical and financial evaluation processes.
- Documents related to the contract approval process.
- Contractual instruments.
- Correspondence with the vendor on contractual matters.
- Proof of receipt of goods; and
- Proof of payment

## 10.0 WAREHOUSING

Warehouse and inventory management are two different functions:

- Warehouse management is concerned with all the activities taking place within the warehouse and includes stock movement, packing etc.
- Inventory management is concerned with managing stock levels and calculating stock consumption within the supply chain to ensure timely supply to projects.

### 10.1 Stock Control

Stock held by Zamzam Foundation will normally consist of items purchased for and allocated to a specific project, or items given by a donor (goods in kind).

Stock is money and therefore needs to be controlled, accounted for and reported on to Zamzam, donors and local stakeholders.

Proper stock control can only be achieved with accurate:

- Recording of stock movement (receiving and dispatching)
- Stock reporting
- Stock reconciliation and physical counts.

The main objectives of stock control are

- To ensure efficient stock movement and maintain stock records.
- To maintain an economically optimal stock level.
- To minimize losses through deterioration, obsolescence, theft and mishandling.
- To ensure effective use of storage space.
- To reduce levels of slow moving items.

### 10.2 Stock Movement

#### 10.2.1 Receiving of Goods /Dispatching

Goods can be received at the following locations:

- Warehouses or storage facilities
- Offices
- Project sites

For all these locations, the same procedures for stock control apply.



For each Purchase Order and Local Purchase Order the following activities must take place when goods and services are received:

- Ensure a quality check is completed. For goods and services of a technical nature, the Requester or a technical expert should assist in checking the quality of goods and services.
- Complete a Goods Received Note (GRN) and ensure that the quantity on the supplier's delivery documentation equals the physical quantity delivered.
- Complete and sign the supplier's delivery documentation.
- Update the Bin Card for goods (or create a new one).
- A copy of the Waybill used for dispatch, or a Goods Received Note.

### **10.2.2 Stock Reports**

This is a report on movement of stock, used for monitoring stock levels and predicting when to reorder. It should be compiled every week, every two weeks, or every month (to be agreed with project management), depending on the volume and rate of movement of stock.

### **10.2.3 Managing Stock Levels**

The following calculations can help in warehouses that receive phased deliveries or have a constant throughput of goods.

In order to maintain appropriate stock levels, the following guideline levels can be calculated:

Reorder level: the stock level of the item in stores which should trigger reordering

- Minimum stock level: minimum possible stock level
- Maximum stock level: maximum possible stock level
- Average stock level: the usual level of stock held in the store

## 11.0 Asset Disposal

### 11.1 Identify Disposal Requirements

Prior to commencing the disposal process, the project team should identify the assets that are subject to disposal.

Assets are identified for disposal based on the following criteria:

- Asset life cycle and depreciation. Asset depreciation can range between 3 – 5 years for fixed assets.
- Project life cycle for project assets.
- Donor requirements.
- Requirement by local authorities.

#### 11.1.1 Disposal Priority

When assets are identified for disposal, the project management team should assign the disposal priority. The disposal priorities should have been identified at an assessment and project design phase to incorporate this and to:

- Ensure informed purchasing decisions (for assets) are taken.
- Ensure donor, country and other requirements are identified and incorporated in project plans.
- Provide information for the disposal plan.

The order of priority for disposal of both fixed and project assets are:

- As directed by the “Donor“
- Donate to other NGOs/CBOs with similar objectives
- Donate to Civil or Local Authority
- Sell
- Destroy, where deemed a health an
- Copy of payment Voucher
- Record of Retentions and release
- Record of security release

Records and documents maintained by Zamzam shall be made available for inspection upon request by the investigators and auditors. Donors shall also have access to all procurement files for the purpose of audit and review.