Norwegian Afghanistan Committee

PROCUREMENT HANDBOOK 2021

"Selection shall be made in a neutral and transparent manner and in accordance with the criteria predetermined in the initiation phase or as per the call for tenders. Ethics, cost-effectiveness and quality must figure heavily in any weighted selection process."

International Organization for Standardization (IOS), 2018

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PROCUREMENT HANDBOOK 2021

"OECD has set out four principles essential to integrity in procurement: (1) transparency, (2) good management, (3) prevention of misconduct, compliance and monitoring, and (4) accountability and control."

(OECD, 2008)

INTRODUCTION

The Norwegian Afghanistan Committee (NAC) is firmly committed to the highest ethical standards, to combat nepotism and corruption, and to be transparent in all its procurements, programs, and operations both in Afghanistan and Norway. NAC is committed to be accountable to all internal and external stakeholders, including suppliers, beneficiaries, partners, donors, volunteers, interns, employees, management, officers, and the Board of Directors, and to expect the same ethics, transparency, and accountability in return from our stakeholders.

Public procurement is known to be one of the most corruption-prone areas of governance[1]. Although much of the global anti-corruption focus on procurement is in the public sector, similar procurement risks and concerns exist within NGOs and civil society organizations. With this in mind:

NAC management and staff will exercise extra caution in all procurements, and adhere to the following ethical guidelines and principles:

1) Ensure that the funds from our donors are spent wisely, and that the quality and price of goods, works, assets and services is competitive, and that the conduct of suppliers fulfill the highest ethical standards.
2) Prioritize Afghan owned and run companies.
3) Prioritize women owned and run companies or provide equal employment opportunities for women.
4) Prioritize companies that can document that they provide equal opportunities for women, members of ethnic, language and religious minorities, and persons with disabilities.
5) Suppliers of goods, works, assets and services shall neither seek nor accept instructions from any authority external to NAC, or communicate at any time to any other person, government, or authority external to NAC, any information known to them by reason of

[1] UNDESA (2012). 'Preventing Corruption in Public Administration: Citizen Engagement for Improved Transparency and Accountability' – Report of the Expert Group Meeting: 15.

their association with the NAC which has not been made public, except as would be normal and expected in the course of their duties, or through NAC's authorization, nor shall suppliers at any time use such information to private advantage.

NAC will not knowingly procure goods, works, assets and services from suppliers that:

1) Are owned by senior government power holders (See: NAC Anti-Corruption Policy & Handbook) and members of parliament
2) Are owned by NAC senior management, their families, or close relatives
3) Have offered bribes to NAC management and staff
4) Finance or support terror (See: Declaration for Vendors – V4)
5) Are engaged in the production, sale, or marketing of weapons (See: Declaration for Vendors – V4)
6) Employ children (under the age of 15) and youth (legal restriction on working hours and what kind of work youth between the age of 15 and 18 are allowed to do) as per rules and regulations in the Afghan Labor Law (1999) and international labor conventions (ILO Conventions no. 138 and no. 182 (See: Declaration for Vendors – V2)
7) Have poor environmental records (See: Declaration for Vendors – V3)

Afghan Labor Law (1999)

Terms of Recruitment – Article 13
A person who may be employed as an employee shall:
(2) Have completed 18 years of age.
(3) Completion of 15 years of age shall be required for employees of light industries.
(4) Completion of 14 years for trainees.

Reduction of Work Time – Article 31
The weekly work hours of Employees are reduced in the following cases:
(1) For youths between 15 and [under] 18 year of age- 35 hours per week.

ILO Convention on Minimum Age, 1973 (No. 138) is the effective abolition of child labour – which is work that is hazardous to children's health, safety or morals, work that interferes with compulsory education, or for which they are simply too young.

C138 was adopted by the International Labour Organization (ILO) in 1973. It stipulates that States should progressively raise the minimum age to a level consistent with the fullest physical and mental development of young people. It establishes 15 as the minimum age for work in general.

The Recommendation of **ILO Convention No. 146** which accompanies Convention No. 138, stresses that national policies and plans should provide for: poverty alleviation and the promotion of decent jobs for adults, so that parents do not need to resort to child labour; free and compulsory education and provision of vocational training; extension of social security and systems for birth registration; and appropriate facilities for the protection of children, and adolescents who work. To achieve the elimination of child labour, laws setting minimum age for work should be embedded in such comprehensive policy responses.

ILO Worst Forms of Child Labour Convention, 1999 (No. 182)

Article 3
For the purposes of this Convention, the term the worst forms of child labour comprise:
(a) all forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory labour, including forced or compulsory recruitment of children for use in armed conflict […]
(d) work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety, or morals of children.

Where donors and partners have specific procurement rules and regulations, NAC will follow these if they do not breach the ethical standards and principles outlined above.

WHAT IS PROCUREMENT[2]

Procurement, as it relates to organizations such as the NAC, refers to the process of purchasing goods, assets, works, or services. It requires preparation, solicitation, negotiation and strategic selection of goods and services, and payment processing, which usually involves several departments of the organization. Competitive bidding is a part of most larger scale procurement processes involving multiple bidders to ensure optimal transparency and reduce corruption vulnerabilities.

[2] Investopedia. Ref: https://www.investopedia.com/terms/p/procurement.asp. Ref: [10.12.2020]

DECENTRALIZED VS. CENTRALIZED PROCUREMENT PROCESSES

The NAC Procurement Team is represented in all regions and provinces where NAC has offices.

NAC is implementing decentralized procurement processes for smaller procurements. Procurements of goods and services of values up to USD 10,000 can therefore be approved by the Head of the Regional, Provincial, or Project Offices, as long as these are in line with agreed budgets and plans of operations.

For medium sized procurements (of values between USD 10,000 and USD 50,000), NAC implements a decentralized procurement process, however, final approval is made by the Country Director, or the Deputy Country Director & Director of Support Services.

With larger procurements, over USD 50,000, the procurement process is centralized, and documents must be approved by the Country Director. And, for procurements over the value of USD 200,000, the Country Director will consult with the Secretary General before approval is granted, to ensure the greatest possible transparency.

THE 8 STEPS OF PROCUREMENTS

Step 1 *Identify goods or services needed*

NAC departments identify goods and services that will be needed for the next 1 to 3 months and issue a purchase request (PR) (see Attachment No. 1 and 2).

For smaller PRs (up to USD 10,000) regional, provincial and project heads can approve; while PRs of values between USD 10,001 and 50,000 must be approved by the Country Director or the Deputy Country Director; PRs of values between USD 50,001 and 200,000 must be approved by the Country Director; while PRs values over 200,001 must be jointly approved by the Country Director and the Secretary General.

Step 2 *Announce a Request Quotations (for larger procurements)*

For medium sized procurements (over USD 501) quotations are necessary (see Attachment No. 1).

For larger quotations announcements will be made on national level (over USD 50,001) and international level (over USD 200,001) – See Attachment No. 1.

National level quotations will be made using national media channels and / or the ACBAR webpage, while international quotations are published through both national and international channels (e.g., NAC and other webpages).

Step 2 *Consider a List of Suppliers (for smaller procurements)*

For smaller procurements (under USD 500) a list of suppliers will be considered, and a direct procurement will be possible – See Attachment No. 1.

Step 3 *Form an Ad-Hoc Procurement Team for a comprehensive evaluation of suppliers and bids (for larger procurements)*

Procurement teams must have between 2 and 4 members (see Attachment No. 1) with specializations within programs and / or admin, finance, and logistics, include women and be ethnically diverse – See Attachment No. 1 and 3.

Step 4 *Negotiate contract terms with selected suppliers*

To ensure the best quality at the best price the ad-hoc Procurement Team is encouraged to negotiate prices based on the offers received through the RFQs.

Step 5 *Finalize the purchase orders (POs)* – See Attachment No. 4

Step 6 *Receive invoices and process payments* (upon or after delivery)

Step 7 *Take delivery and audit of the order*

Step 8 *Maintain accurate record of invoices*

To ensure efficiency, cost effectiveness and relevance, procurement processes must be flexible, therefore the Country Director and the Deputy Country Director, alone (for smaller and medium sized procurements), or in coordination with the Secretary General (for larger procurements), may issue a derogation (see Attachment No. 1), as following a rigid interpretation of procurement guidelines often leads to increased costs.

Based on experience over the past few years, splitting up a quotation or a purchase request can be seen as way to avoid following the regulation of a higher threshold, while at the same time it can save costs as one supplier may not be able to supply all the good or services included in the quotation, and will therefore need to avail of sub-contractors which will lead to higher costs than procuring the goods and services directly from multiple suppliers.

"In some contexts, it may be difficult to follow certain good procurement practices. It may, for example, be difficult to obtain three tenders if the number of suppliers is limited. Even if three tenders are obtained, they may be forged or may all be written by the same person."

Ewins, Harvey, Savage & Jacobs (2016)

A particular issue in procurement is whether international competitive tendering standards are the best way of getting cost-effective aid and controlling corruption risks. Formal systems which call for national and international tendering may exclude local expertise and labor.[3]

It is important to keep the procurement process as simple, transparent, and as easy to follow as possible. The more complex the process is, the more costly and time consuming it is, and the more likely it is to be intentionally subverted, not for the sake of personal gain, but rather for the purpose of expedience.

PROCUREMENT THRESHOLDS

See Attachment No. 1 for more details:

- **Direct Purchases (DP) of USD 1 to 500**

  Smaller procurements must be effective and efficient, focusing on quality and cost effectiveness. Purchases should be made based on quality, price and services offered by the supplier. Preference should, if possible, be given to:

  - Businesses owned and/or run by women or provide equal employment opportunities for women
  - Businesses that are owned, run by, or employ persons with disabilities
  - Businesses that are owned by persons in the local community

- **Open Request for Quotation (ORFQ) – Level I for USD 501 to USD 5,000**

  - Procurements through ORFQ should, if possible, be done locally – ideally in the local community (district) or in the same province
  - Purchases should be made based on quality, price and services offered by the supplier
  - Businesses who use child-labor will be disqualified (as defined by the Afghan Labor Law)

[3] Ewins, P., Harvey, P., Savage K., & Jacobs, A. (2016). Mapping the Risks of Corruption in Humanitarian Action. Overseas Development Institute and Management Accounting for NGOs (MANGO).

- If the price and quality is comparable, preference should, if possible, be given to:
    - □ Businesses owned and/or run by women or provide equal employment opportunities for women
    - □ Businesses that are owned, run by or employ persons with disabilities
    - □ Businesses that are owned by persons in the local community
- If frequent procurements are made from the same supplier – Totaling more than USD 10,000 per annum – the supplier must fill in the Vendor Registration Form
- To prevent jealousy among business owners or service providers, procurements should, if possible, be made from different suppliers. This will reduce suspicion and allegations of nepotism and kickbacks which is especially important in smaller communities (e.g., Jaghori, Malistan and Yawan). In a multi-ethnic environment it is important that procurements are made from businesses owned by persons representing different ethnic groups (e.g., Ghazni City, Kabul and Maimana) as long as quality, price and service is comparable – This is important in order to contribute to reducing communal, ethnic, and sectarian violence.

- **Open Request for Quotation (ORFQ) – Level II for USD 5,001 to USD 10,000**

- Procurements through ORFQ should, if possible, be done locally – Primarily in the local community (district) or in the same province
- Suppliers must fill in the NAC Vendor Registration Form (Form No. NAC V1)
- Purchases should be made based on quality, price and services offered by the supplier
- Businesses that use child-labor will be disqualified (as defined by the Afghan Labor Law) (Form No. NAC V2)
- If the price and quality is comparable, preference should, if possible, be given to:
    - □ Businesses owned and/or run by women or provide equal employment opportunities for women
    - □ Businesses that are owned, run by, or employ persons with disabilities
    - □ Businesses that are owned by persons in the local community

To prevent jealousy among business owners or service providers, procurements should, if possible, be made from different suppliers. This will reduce suspicion and allegation of nepotism and kickbacks, which is especially important in smaller communities (e.g., Jaghori, Malistan and Yawan). In a multi-ethnic environment it is important that procurements are made from businesses owned by persons representing different ethnic groups (e.g., Ghazni City, Kabul and Maimana) as long as quality, price and service is comparable – This is important in order to contribute to reducing communal, ethnic, and sectarian violence.

- **Sealed Request for Quotation (SRFQ) for USD 10,001 to USD 50,000**

  - Procurements through SRFQ should, if possible, be done in Afghanistan – Primarily in the targeted province(s) or elsewhere in Afghanistan
  - Suppliers must fill in the NAC Vendor Registration Form (Form No. NAC V1)
  - Purchases should be made based on quality, price and services offered by the supplier
  - Businesses that use child-labor will be disqualified (as defined by the Afghan Labor Law) (Form No. NAC V2)
  - If the price and quality is comparable, preference should, if possible, be given to:
    - □ Businesses owned and/or run by women or provide equal employment opportunities for women
    - □ Businesses that are owned, run by, or employ persons with disabilities
  - Afghan owned businesses

- **National Invitation for Tender (NIFT) for USD 50,001 to USD 200,000**

  - Procurements through NIFT should, if possible, be done in Afghanistan
  - Tenders must be announced through national media unless there are major documented security concerns
  - Suppliers must fill in the NAC Vendor Registration Form (Form No. NAC V1)
  - Purchases should be made based on quality, price and services offered by the supplier
  - Businesses that use child-labor will be disqualified (as defined by the Afghan Labor Law) (Form No. NAC V2)
  - If the price and quality is comparable, preference should, if possible, be given to:
    - □ Businesses owned and/or run by women or provide equal employment opportunities for women
    - □ Businesses that are owned, run by or employ persons with disabilities
    - □ Businesses who have signed the NAC Environmental Protection and Conservation Form (Form No. NAC V3)
    - □ Business from countries with no visible, commonly understood or declared vested political interests in Afghanistan (e.g., People's Republic of China, India, Iran, Pakistan, Russia, Saudi Arabia, Tajikistan, Turkey, the USA, and Uzbekistan will either be excluded from providing goods and services, or extra caution will need to be used in the process not to endanger NAC's principles of impartiality as a non-party-political actor)
  - Priority will be given to Afghan owned businesses

- **International Invitation for Tender (IIFT) for USD 200,001 and above**

  - Tenders must be announced through national media, and should be announced through international media unless there are major documented security concerns
  - Suppliers must fill in the NAC Vendor Registration Form (Form No. NAC V1)
  - Purchases should be made based on quality, price and services offered by the supplier
  - Businesses that use child-labor will be disqualified (as defined by the Afghan Labor Law) (Form No. NAC V2)
  - If the price and quality is comparable, preference should, if possible, be given to:
    - □ Businesses owned and/or run by women or provide equal employment opportunities for women
    - □ Businesses that are owned, run by or employ persons with disabilities
    - □ Businesses who have signed the NAC Environmental Protection and Conservation Form (Form No. NAC V3)
    - □ Afghan owned businesses
  - Business from countries with no visible, commonly understood or declared vested political interests in Afghanistan (e.g., People's Republic of China, India, Iran, Pakistan, Russia, Saudi Arabia, Tajikistan, Turkey, the USA, and Uzbekistan will either be excluded from providing goods and services, or extra caution will need to be used in the process not to endanger NAC's principles of impartiality as a non-party-political actor)

PROCUREMENT TEAMS

For all procurements over the value of USD 500, ad-hoc procurement teams are to be appointed by senior management. The ad-hoc teams must have competencies and skills related to the goods, assets, works and services to be procured and must be gender balanced and ethnically diverse to reduce corruption vulnerabilities and risks and prevent biases in procurement processes.

The composition of the ad-hoc procurement teams will differ based on the value (see Procurement Thresholds above and further details in Attachment No. 1) of the goods, assets, works and services to be procured.

EVALUATION OF SUPPLIERS & BIDS

When evaluating a bid, the following will be considered:

- The supplier must fulfill the ethical guidelines and principles of the NAC (see above)
- The quality of goods, assets, works and services
- The price competitiveness
- The expertise of technical staff
- The financial strength and stability of the supplier – How long have they been in business? Are they likely to go out of business any time soon?
- The quality of customer and after sales service
- The ability to meet the timelines of deliveries
- The ability to meet goods or service specifications
- Previous performances with similar orders – Are they consistently on track, or was it a one-time fluke to make a good first impression?

DECENTRALIZED VS. CENTRALIZED PROCUREMENT PROCESSES

The NAC Procurement Team is represented in all regions and provinces where NAC has offices.

NAC is implementing decentralized procurement processes for smaller procurements. Procurements of goods and services in value of up to USD 10,000 can therefore be approved by the Head of the Regional, Provincial, or Project Offices, and Heads of Programs, as long as these are in line with agreed budgets and plans of operations.

For medium sized procurements (in value of between USD 10,000 and USD 50,000), NAC implements a decentralized procurement process, however, final approval is made by the Country Director, or the Deputy Country Director & Director of Support Services.

With larger procurements, over USD 50,000, the procurement process is centralized, and documents must be approved by the Country Director. And, for procurements over the value of USD 200,000 the Country Director will consult with the Secretary General before approval is granted, to ensure the greatest possible transparency.

AUTHORIZATION MATRIX

Particulars	Board of Directors	Secretary General (SG)	Country Director (CD)	Deputy Country Director (DCD)	National Program Coordinators / Heads of Programs	Heads of Regions and Provinces and Project Managers (PM)
		In NOK	**In USD**			
Budget authorization	Approval of annual budgets	Approval of program budgets	Maximum USD 2,000,000 for USD 2,000,001 and above written consultation with the SG in required.	Maximum USD 2,000,000 in consultation with the CD or SG in writing.	Maximum USD 100,000 in consultation with the CD in writing.	Maximum USD 100,000 in consultation with PD or CD in writing.
Purchase / Expense limits	Not Applicable	Maximum NOK 10 000 without consulting Chair of Board.	Maximum 200,000 according to approved budgets. For higher amounts approval by SG is required.	Maximum USD 50,000 according to approved budgets. For higher amounts approval by CD or SG is required.	Maximum USD 10.000 according to approved budgets. For higher amounts approval by the CD or DCD is required.	Maximum USD 10,000, according to approved budgets. For higher amounts approval by the CD or DCD is required.
Incoming contract values / Grant values		Any Grant Agreement with donors originating in Norway.	Any Grant Agreement with donors originating outside of Norway (1).	Any Grant Agreement with donors originating outside of Norway (1).	Maximum 50,000 in consultation with the CD or DCD.	Maximum 10,000 in consultation with the CD or DCD.

(1) With exception of contracts with state donors from the People's Republic of China, India, Iran, Pakistan, Russia, Saudi Arabia, Tajikistan, Turkey, the USA, and Uzbekistan which will require written approval from both SG and Chair of the Board

OTHER POLICIES & DOCUMENTS

1. NAC Accountability Framework
2. NAC Anti-Corruption Policy & Handbook
3. NAC Ethical Guidelines & Commitments
4. NAC Financial Manual
5. NAC HR & Personnel Manual
6. NAC Procurement Policy