Norwegian Afghanistan Committee

PROCUREMENT POLICY 2021

"Corruption and inefficiency in procurement decreases the benefits that public resources otherwise could have delivered to citizens, and also lowers the level of trust and confidence in governments"

Kari K. Heggstad and Mona Frøystad, 2011

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PROCUREMENT POLICY 2021

"Procurement policies and procedures should be revisited often to make sure they are still meeting your needs, failure to do so could create problems throughout the organization."

Rob Biedron, 2018

COMMITMENT

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 the world of civil society and NGOs. 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.
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 their association with the NAC which has not been made public, except as would be

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

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 ages 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 comprises:
(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 in value of 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 (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.

THE 8 STEPS OF PROCUREMENTS

Step 1 Identify goods or services needed

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

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

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

Step 4 Negotiate contract terms with selected supplier

Step 5 Finalize the purchase request

Step 6 Receive invoice and process payment (upon or after delivery)

Step 7 Delivery and audit of the order

Step 8 Maintain accurate record of invoices and the procurement process

To ensure efficiency, cost effectiveness and relevance, procurement processes must be flexible, therefore the Country Director alone (for smaller and medium sized procurements), or in coordination with the Secretary General (for larger procurements), may issue a derogation (see Handbook), as following a rigid interpretation of procurement guidelines often leads to increased costs.

The Country Director and the Deputy Country Director can approve a derogation from the standard procurement process for the different thresholds (for smaller and medium sized procurements), while for divisions on procurements of USD 50,001 and above the Secretary General must be consulted.

Practical example: 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 more for the purpose of expedience.

[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).

PROCUREMENT THRESHOLDS

- Direct Purchases (DP) USD 1 to 500
- Open Request for Quotation (ORFQ) – Level I USD 501 to USD 5,000
- Open Request for Quotation (ORFQ) – Level II USD 5,001 to USD 10,000
- Sealed Request for Quotation (SRFQ) USD 10,001 to USD 50,000
- National Invitation for Tender (NIFT) USD 50,001 to USD 200,000
- International Invitation for Tender (IIFT) USD 200,001 and above

Details about the different requirements for procurement processes within each threshold are outlined in the Handbook.

PROCUREMENT TEAMS

For all procurements over the value of USD 500, ad-hoc procurement teams are 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) of the goods, assets, works and services to be procured – Details are outlined in the Handbook.

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 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 or after sales service
- The ability to meet the timelines of deliveries
- The ability to meet goods or service specifications

- Previous performance with similar orders – Are they consistently on track, or was it a one-time fluke to make a good first impression?

PROCUREMENT HANDBOOK

The NAC Procurement Handbook has been developed, based on forty years of experience with development and humanitarian programs and on the Procurement Thresholds (2019), developed to guide the implementation of the NAC Provisional Procurement Policy. The NAC Procurement Handbook will assist senior management and other staff in securing cost effectiveness of programs, administration, and logistics; reducing risks and vulnerabilities potentially affecting NAC procurement processes; and applying correct procedures and control measures throughout the organization.

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