

**STATE INNOVATIONS IN FAMILY
PLANNING SERVICES PROJECT
AGENCY**

**PROCUREMENT
MANUAL**

CONTENTS

	CHAPTER	PAGE
1.	INTRODUCTION	
	1.1 Background	1
	1.2 Purpose and Scope of the Manual	1
	1.3 Structure and Functions of the Procurement Cell	1
	1.4 Terms Used in the Manual	2
	1.5 Commodities Requiring AID Approval	2
	1.6 Ineligible Commodities	2
2.	INDENTS	
	2.1 Overview	3
	2.2 Types of Indents	3
	2.3 Procedure for Indents	3
	2.4 Activities on Receipt of Indents	4
	2.5 Monitoring Status of Indents	5
	2.6 Follow up on Indents	5
3.	TENDERS AND INQUIRIES	
	3.1 Overview	7
	3.2 Tenders	7
	3.3 Inquiries	10
	3.4 Receipt of Quotations	12
	3.5 Evaluation of quotations	12
	3.6 Land and building	13
4.	IMPEREST PURCHASES	
	4.1 Overview	17
	4.2 Eligibility for Imperest Purchases	17
	4.3 Procedure for Imperest Purchases	17
5.	NEGOTIATIONS WITH SUPPLIERS	
	5.1 Overview	18
	5.2 Negotiation Procedure	18
6.	PLACING OF PURCHASE ORDERS	
	6.1 Overview	19
	6.2 Pre-Purchase Audit	19
	6.3 Financial Concurrence	19
	6.4 Placement of Purchase Order	19
	6.5 Refund of Earnest Money Deposit	20
	6.6 Amendment to Purchase-Order	20
	6.7 Repeat Orders	20
	6.8 Long Term/Annual Rate & Work Contract	20
	6.9 Procedures for Follow up	21
	6.10 Clearance of Goods	21
	6.11 Cancellation of Purchase Orders	22

7.	RECEIPT AND ISSUE OF MATERIAL AND PAYMENT TO SUPPLIERS	
7.1	Overview	26
7.2	Inspection and Testing	26
7.3	Receipt of Material	26
7.4	Issue of Material	27
7.5	Payment of Suppliers	27
7.6	Overdue Payments	27
8.	REGISTRATION OF SUPPLIERS	
8.1	Overview	31
8.2	Procedure for Registration of Suppliers	31
9.	VENDOR RATING	
9.1	Overview	33
9.2	Need for Vendor Rating	33
9.3	Vendor Rating System	33
9.4	Vendor Rating Statement and its Uses	33
9.5	Review of the System	33
10.	LEAD TIME ANALYSIS	
10.1	Overview	35
10.2	Guidelines for Review of Purchase Operations	35

CHAPTER 1

INTRODUCTION

1.1 Background

One of the major functions of State Innovations in Family Planning Services Project Agency (SIFPSA), a society registered under Societies Registration Act, 1860, will be to procure the necessary goods to ensure that project activities are achieved. This manual provides guidelines for procurement of these goods.

It should be noted that the funds will not be available to finance any cost related to

- a. Performance of abortion as a method of Family Planning,
- b. Motivation or coercion of any person to undergo abortion,
- c. Biomedical research which relates, in whole or in part, to methods of, or the performance of, abortion as a method of family planning, or
- d. Active promotion of abortion as a method of Family Planning

1.2 Purpose and Scope of the Manual

Procurement for SIFPSA will be handled in the Human Resources, Administration and Procurement Department. This manual will provide the guidelines and procedures for procurement of goods undertaken by SIFPSA. SIFPSA would thus be able to introduce and maintain proper systems and procedures in this cell. This manual could also be used as a guide for personnel involved in procurement who may wish to understand the system.

1.3 Structure and Functions of the Procurement Cell

The Procurement cell will be headed by a General Manager (Human Resources, Administration, and Procurement) GM-HAP) assisted by a Manager (Administration and Procurement) (MAP) and a Procurement Officer (OP). This cell is depicted in Exhibit 1.1.

The functions and responsibilities of the Procurement Cell are as follows:

- a. responsible for procurement of all goods for SIFPSA in a timely and cost effective manner,
- b. ensure procurement system is followed and implemented,
- c. co-ordinate with other departments in identifying their procurement needs,
- d. to follow up the supplies,
- e. to lodge claims with insurance authorities for non-delivery or breakage,
- f. to carry out market surveys on availability of material and alternate material.
- g. to assess all sources of supply with a view to selecting desirable sources of supply and developing new sources of supply,
- h. to take effective short term measures to meet the required quantity, quality, cost and delivery targets of material and services;
- i. document all procurement transactions at each stage.

1.4 Terms Used in the Manual

The goods to be procure by SIFPSA fall into three major categories. These include:

- capital assets
- operational material
- consumable and miscellaneous items

1.4.1 Capital Assets

Capital assets can be classified as the items like land, building, office equipment, furniture, fixture and electrical installations which will have a useful life of two or more years and are procured when need arises. Since these items have a long term bearing on the organization they should be very carefully and cautiously identified and procured.

1.4.2 Operational Material

The operational material for the purpose of the SIFPSA are those which help promote and achieve its objectives. These items include pamphlets, brochures, hand outs, contraceptives, IUDs and other kits except abortion equipment. Stock needs of these items would depend upon the frequency and the types of promotional efforts, schemes, programs etc. The society is, however, prohibited from procuring and acquiring any kind of abortion equipment.

1.5 Commodities Requiring USAID Approval

Certain commodities require USAID Approval prior to their procurement. These are:

1. Certain Agricultural Commodities – wheat, rice, corns, soyabeans sorghum, flour, meal, beans, peas, tobacco, hides and skins, cotton, vegetable oils and animal oils and fats.
2. Motor vehicles – defined as self propelled vehicles with passenger carriage capacity such as highway trucks, passenger cars and buses, motorcycles, scooters, motorized cycles and utility vehicles
3. Pharmaceuticals
4. Pesticides
5. Rubber compounding chemicals and plasticizers.
6. Used Equipment
7. U.S. Excess properly
8. Fertilizer

Wherever in the manual it is indicated that USAID approval is required it means that Governing Body (in which USAID members are present) approval will suffice.

1.6 Ineligible Commodities

The following commodities cannot be procured under this project:

1. Military Equipment
2. Surveillance Equipment
3. Commodities and services for support of Public and other Law enforcement activities.
4. Abortion Equipment and Services
5. Luxury Goods and Gambling Equipment
6. Weather Modification Equipment

CHAPTER 2

INDENTS

2.1 Overview

This chapter discusses the types of indents being raised in SIFPSA, follow-up activities required and the procedure to be followed for initiating procurement.

SIFPSA will follow sound procurement practices that are based on the principles of:

1. Competition in the solicitation of Procurement; and
2. Acceptance of the most advantageous offer, considering price and other factors such as quality, time required for delivery, transportation costs, payment terms, availability of spare parts and installation and repair services, provided through the competitive solicitation process.

In most cases, acceptance of the lowest, responsive bid that has been solicited through a competitive process will meet these requirements.

2.2 Types of Indents

SIFPSA would require to procure different types of items to be able to function most optimally. Preparation of an indent would be the initiating document for any procurement. Indents are documents that the departments will have to raise to procure any item. The format for the indent is given in Exhibit 2.1. Each type of indent would carry separate identifiable code number.

The types of indents that may be raised by the various departments in SIFPSA are as follows:

- a. Land and Building
- b. Other Capital Assets
- c. Operational Materials
- d. Consumable and Miscellaneous Items

Except in case of land and buildings, the indents would carry the specifications of the items, its quantity and the date by which it is required. Sample (if any) would be provided along with the indent. These indents would indicate the projected annual and quarterly requirement, the stock on hand and quantity already ordered.

2.3 Procedure for Indents

2.3.1 General Guidelines

Indents may be raised by any employee of SIFPSA whenever the need for any item is perceived. Planning for procuring assets would be based on program or scheme

strategy, types of programs and the schemes under implementation. Stock needs of these items would depend upon the activities of SIFPSA.

Two copies of the indents would be raised. The original copy would be forwarded to the OP for necessary action and the other would be retained by the indenting department. These indents would be recommended by the General Manager (GM) of the concerned department.

The following approval limits for all indents would be as given below based on the estimated value of the assets to be procured. These estimated values may be obtained from the departments budget or the OP.

Upto Rs. 1 lakh	Additional Executive Director
<i>Above Rs. 1 lakh and upto Rs.5 lakhs</i>	<i>Executive Director</i>
<i>Above Rs. 5 lakhs</i>	<i>Chairman; ex post facto approval of Governing Body to be sought</i>

(All financial and administrative powers of Governing Body was delegated to Executive Committee by the GB in its fourth meeting.)

The following powers have been delegated to General Manager (HAP) by the Executive Director vide office order nos. SIFPSA/1408 dt. 25.07.96 and 19.08.96:

- a. To sanction all routine expenditure made out of imperest cash maintained in HAP division.*
- b. To sanction payment of all routine expenditure upto a financial limit of Rs. 5000/- per payment except tour advances.*
- c. To approve procurement of goods and services upto a limit of Rs. 5000/- per transaction and sanction release of payments relating to them.*

2.3.2 Land and Buildings

In case of land and buildings, SIFPSA may perceive the need for acquiring these assets at any time. If it is convinced of the need for acquiring such assets, then the approval of the Governing Body (GB) would be sought. Budget provisions will also have to be made for acquiring such assets. The indent for procuring such assets would be raised by the OP and recommended by the Executive Director (ED).

The proposal for acquiring such assets would be dropped if it is not approved by the GB.

2.3.3 Requisition for Services

Indent for procurement of services, such as, maintenance and construction work would be prepared by the Administrative Officer (AO) and forwarded to GM (HAP) for approval through MAP.

2.4 Activities on Receipt of Indents

Upon receipt of indents from the department, the OP would ensure that the proposed expenditure is within the overall budget approved for the item for that year. If it exceeds the budget, then the indent would be returned to the indenting department

giving the reason for the same. The indenting department would then have to get special sanction for those items based on the financial limits given in Section 2.3.1.

If the estimated value of the item is within the budget, the OP would verify the following:

- i) Proper authorization by concerned GM
- ii) Approval of the appropriate authority
- iii) Necessary budget sanction as indicated in indent
- iv) Adequate specification details in terms of drawings, institutional standard reference number and other relevant particulars
- v) Check with existing stock if any
- vi) Check, if the indent for an item is raised by the indenter while another raised by the same indenter is already pending supply, (if so, then the concurrence of the AED would be obtained by the OP prior to any further action being initiated on the indent)
- vii) Decide the mode of purchase
- viii) Suppliers whose products may meet the specification requirements
- ix) Special requirements like performance guarantee, erection, commissioning, type of after sales service, literature, training etc. if any.
- x) Delivery requirements and link with other purchase to be made.

If more than one indent are received for an item, the OP would assess the requirement of these indentors by consolidating the indents.

2.5 Monitoring Status of Indents

It is important to maintain a record of the status of the various indents forwarded to the Procurement cell. This will assist SIFPSA in:

- a. Setting target dates for various activities of procurement
- b. Identifying planned dates of supply of items
- c. Monitoring the progress of procurement
- d. Indicating reasons for delay, if any
- e. Taking corrective actions, if any required.

2.6 Follow up on Indents

It is very crucial for the procurement cell to keep track of the status of various indents raised by the departments. The GM (HAP) would review the status of indents on a weekly basis. The OP should indicate reasons for delay and action taken thereof. Based on the discussions, the concerned departments should be intimated with regard to the status of their indents.

INDENT										
Budget Head		Stock Non Stock Imported	Normal	Urgent		Originator	Ref. No.		Indent No.	
S. No.	Item Description	Item Code	Quantity				Required before	PO No. & Date	Initials	Remarks
			Reqd.	On Hand	On Order	To Buy				
Indented by		Authorised by			Authorised by (For Urgent Purchases)			Comments:		
Designation		Designation								

CHAPTER 3

TENDERS AND INQUIRIES

3.1 Overview

This chapter describes the general methods of procurement for SIFPSA through tenders, the inquiry and tender procedures to be followed. It also outlines the steps to be taken while evaluating and deciding on the tenders as well as conducting the pre purchase audit. Procurement of all types of items described in Chapter 2, except imprest purchases are covered under this procedure.

Decision to adopt a specific mode of purchase would rest with the ED and would be in line with the policy guidelines for the society.

3.2 Tenders

Tenders are invitations for bids for high value items like capital assets other than land and building. These should be published by SIFPSA in dailies, magazines or trade journals etc.

3.2.1. Items Covered and Financial Limits

Bids would be called for if capital items, other than land and building, in the instances given below. The value would be as per those mentioned on the indents.

- a. Items being procured cost less than Rs. 20,000 per unit and the total value of the order exceeds Rs. 5 lakhs, or
- b. If they cost more than Rs. 20,000 per unit and the total value of the order exceeds Rs. 2 lakhs.

Tenders may, however, be waived if the above financial criteria are not satisfied or any of the following conditions is fulfilled.

- a. All sources of supply are known and limited.
- b. Items are canalized or controlled
- c. Items are proprietary in nature
- d. Items are required urgently.

3.2.2 Procedure

The advertisements for tenders would be placed in at least two dailies in the city one in local language and the other in English. The MAP may decide the list of newspaper depending upon the availability and nature of items required to be procured. Further advertisements could also be released in appropriate trade journals if this is found necessary. Besides the advertisements, sources suggested by user department may also be invited to quote against the tender.

These advertisements would have to specify issues like specification of the assets, quantity, delivery time and location, terms of payment, after sales services and warranty, date and time for closure of issue of tenders, date and time for closure of submission of bids, date and time for opening of the tender and the procedure for submission of tender, tender document fee and Earnest Money Deposit (EMD), if any.

If detailed specifications are to be spelt out and blueprints have to be supplied, a small fee for tender documents is leviable on the parties who wish to quote. Such parties would be advised to obtain tender documents on payment of this fee as decided by GM (HAP) in consultation with Manager (Finance & Accounts) (MFA).

However, if the number of bids received in response to the tender invitation is at least five, then subsequent procurement of these items may be done on the basis of inquiries for two more years or four purchases whichever is less. This may be decided by GM (HAP). All such genuine suppliers who have responded to the earlier advertisement should be included in the mailing list for such inquiries.

If the bids/quotations received in response to the invitation is less than three, in that case ED, AED and the indenting department will decide the future course of action on the merits of each case. Moreover if only one bid is received and procurement is urgent than ED's decision shall be sought.

3.2.3. Receipt and Opening of Bids

a. Earnest Money Deposit

All tenders above Rs. 5 lakhs would be accompanied by a fixed amount of EMD to be decided by the GM (HAP) and would be approximately 2.5% of the estimated cost of items. The mode of payment has to be a demand draft payable at Lucknow. EMD is refundable in the case of unsuccessful bids after final orders are accepted by successful tenderer EMD paid by successful ones should be adjusted against the security deposit to be paid by them. A security deposit of upto 5% of the order value should be received from the successful bidders at the time of acceptance of the order.

Tenders of the following categories may be exempted from paying EMD at the discretion of GM (HAP)

- i) Reputable companies as approved by GM (HAP) from time to time.
- ii) Registered small scale units
- iii) Proprietary/single acceptable supplier

b. General Conditions

Only sealed bids should be accepted. Prospective suppliers responding to the tender inquiry should be clearly instructed to indicate the inquiry number and the due date on the envelope. On receipt of the bids, the date stamp would be affixed on the envelop and the bids would be kept under lock and key in the tender box, which would be different for each tender, in the office of GM (HAP).

Bids received by post in envelopes which do not bear any inquiry numbers and / or other markings to show that a tender is enclosed therein, would be countersigned by GM (HAP). The tender including the envelope would then be sealed in another envelope and deposited in the tender box.

In case, a supplier encloses more than one tender in the same envelope which are due on different dates and the envelope has no markings to show that it contains different bids, the officer opening the envelope (or Mail Section) should initial the bids and seal them in separate envelopes duly marking the tender number and due date for opening of each tender.

The latest hour of receipt of any tender will be 1400 hours on the date of opening and the opening of such bids is to be made at 1500 hours. If any change in the time of receipt or opening is to be made, prior permission of GM (HAP) should be obtained.

Bids would be opened on any working day at 1500 hours. All tenders falling due should be collected and forwarded to GM (HAP). These bids should be opened by the MAP, or a representative nominated by him, in the presence of the authorized representatives of Finance & Accounts and the indenter. Bidders or their authorized agent may also be permitted to witness the opening of the tender documents.

The bids would be read out and every page of these bids together with the enclosure initialed by the officer opening the tender, and the other two representatives. The bids would then be numbered serially. The total number of bids received should be also noted on each tender. Once a tender has been handed in, no alternations or modifications should be allowed in the tender.

All blank bids should be canceled and signed with date by the officers opening bids. Entries left blank, if any, by the tenderer should be indicated by drawing a line across the blank space and then initialed by the officers opening the bids.

Any alternations in the bids made by the supplier prior to submission should be initialed by the officer opening the bids. In case of alternations in price the same should be written in words also.

Number of bids received against each inquiry should be written on the office copy of the inquiry. Names of all such suppliers who have responded should be tick marked and other cross-marked in the office copy of the tender. Each tender should be numbered 'X'/'Y' where X indicates serial number of the tender and Y the total number of bids received against the inquiry.

However, late bids can be considered if special circumstances exist such as:

- i) Lack of adequate response i.e. number of bids less than three;
- ii) Artificial manipulation of rates quoted in the bids;
- iii) The lowest acceptable tender received is unreasonably high compared with the previous purchase rate,
- iv) The products of only one manufacturer are offered by all the bids/quoting against the inquiry. Case should be taken to ensure that tenderer would not get any undue benefit.

3.2.4. Comparative Statement

All bids received in response to a tender should be tabulated in a Comparative Statement cum Approval Memo (CSAM) by the OP. This will ensure the presentation of complete information and facilitate accurate comparison on a common base. CSAM would be prepared on the tender opening date or the very next working day. A format for the CSAM is given in exhibit 3.1.

Necessary particulars in respect of each quotation such as the price, delivery, quality and other information relevant to the purchase order would be entered in CSAM. The CSAM would also carry the previous purchase rate and date "Late" bids should be indicated as such. Equivalents or alternatives offered by the suppliers should be prominently marked on CSAM. All other particulars in respect of tenders issued, bids received, due date etc. should also be available on CSAM. After the preparation of CSAM, the case file should be submitted to the MAP.

3.2.5 Decision on Bids

While evaluating CSAM, the MAP and the GM of the indenting department should ensure the right quality, delivery and price. In all the cases, landed cost should be calculated considering the price, taxes, excise duties and other expenses.

The MAP and GM of the indenting department should be able to judge whether an offer is realistic. If it appears to be too low, they should investigate the matter further before taking it for granted as the lowest quotation. The delivery offered should be carefully scrutinized.

The CSAM is forwarded to the GM (HAP) who selects the lowest acceptable tender, in accordance with the specifications given in the indent. If GM (HAP) has reasons, such as reliability, past performance and overall saving in cost, for selecting any higher quotation, he should clearly record it and seek the approval of the committee comprising of the GM of the Indenting Department, GM (HAP) and the GM (Finance).

All other factors being equal, geographical proximity of the supplier should be given due consideration while deciding on the bids, in the interest of continuity of supply and economy in follow up. If there is a single bid against a tender, the same can be accepted after it is established that the rate is reasonable.

Once the above set of activities are completed, it would be possible to identify the supplier on whom the order would be placed.

3.3 Inquiries

Inquiries are invitations to quote from suppliers for items other land building and those assets for which tenders are being floated.

3.3.1 Items Covered and Financial Limits.

Procurement of all items with an estimated value of above Rs. 1000 per order and which are not being procured through tenders would have to follow this procedure. A format for the inquiries is given in Exhibit 3.2. SIFPSA would maintain a list of suppliers who would be approached for quotations under such circumstances. The procedure for approving these suppliers is discussed later in this document.

Inquiries need not be sent for procurement of items upto Rs. 1000 per order.

3.3.2 Inquiry Procedure

All registered suppliers should be sent inquiry letters. However, if the estimated value is below Rs. 5000 per order then suppliers to be contacted may be selected and limited to five at the discretion of MAP. In case fresh quotations are sought additional suppliers appearing in this list may be invited to bid. The MAP should ensure that all suppliers in the list should be sent inquiry letters by rotation.

The inquiry letter should contain due date and all terms and conditions of purchase. Two copies of the inquiries would be raised. The original copy would be sent to the supplier and the other would be retained by the OP. Office copy of the inquiry letter should contain the list of parties to whom inquiries have to be sent. Each inquiry should be given a distinct identification number in order to facilitate future referencing. This distinct number should contain the indent number and the serial number of the inquiry relating to that indent.

All inquiry letters would be signed by the OP. All copies of the inquiry letter should be sent to the despatch cell who in turn would certify posting of such letters on the office copy and return the same to the Procurement cell. The office copy shall be filed with the corresponding indents.

The prospective suppliers would have to be given some lead time to respond to the inquiries. This response time would be given in Table 3.1. However, in case procurement of certain items involves initial discussions with suppliers, additional time may be granted to the prospective suppliers at the discretion of MAP. Justification to this effect should be recorded in the copy of inquiry.

Table 3.1

LEAD TIME FOR INQUIRY LETTERS

S. No.	Location of Suppliers	Response time
1.	If inquiry letters are sent to parties in U.P. only	12 days
2.	If inquiry letters are sent to parties anywhere in India except U.P.	20 days
3.	If inquiry letters are sent to overseas suppliers	45 days

In the case of rush indents, telegraphic/ telex/ telefax inquiries may also be sent and replies received in any mode. Lead-time could thus be reduced to the minimum number of days depending upon the availability of time.

There could be instances when there may be only one authentic source for the item indented. Under such situations, only one inquiry letter may be sent to this source. Such single inquiries may be resorted to if any of the following conditions is satisfied:

- i) Items which are proprietary in nature and certified as such by MAP
- ii) a. If the item is required urgently, and
b. Only one reliable source is available.

Reasons for such a need should be recorded and certified by the indenter department. However, the quantity ordered in such cases should be limited to the immediate requirement.

3.4 Receipt of Quotations

All quotations received by SIFPSA would be forwarded to the OP. He/she would be responsible for concurrence of details given in quotations with that in the corresponding indent. The particulars given in the quotations would then be entered in an evaluation sheet. A format of this sheet is given in exhibit 3.3.

If there is a single response against an inquiry, it should normally be rejected and fresh quotations should be sought. This is not applicable in case of single inquiries as outlined under section 3.3.2.

3.5 Evaluation of Quotations.

3.5.1. Technical (Quality Index)

The technical evaluation of the quotations for the items would be done either by the indenter or by the OP based on the specifications provided by the former.

3.5.2 Commercial (Price Index)

Following factors should be considered for commercial analysis of offers while calculating loaded cost and arriving at Price Index.

- a. Quoted price
- b. Insurance
- c. Packing and forwarding
- d. Excise duty, additional duty, surcharge
- e. Sales tax as applicable
- f. Freight
- g. Cost of accessories, initial spares
- h. Payment terms including interest charges, if any
- i. Discounts offered
- j. Any other charges such as royalty payable etc.

It should, however, be noted that any identifiable taxes, tariffs or duties charged by India on any commodities (equipment, materials, or other goods) or services, or on the importation, manufacture, procurement or supply thereof are to be borne by the

Government of India/participating institution or industry and are not eligible for financing under the SIFPSA Grant Agreement.

3.5.3 Performance Index

The OP would consider the following aspects while arriving at Performance Index

- a. Vendor rating, if available already with the company
- b. Performance of the vendor as indicated by his clients – Purchase may contact his clients and ascertain this factor
- c. His overall reliability in terms financial ability, technical ability and administrative ability.

3.6 Land and Building

Particulars of the potential sites for the above would be obtained by the GM (HAP) through advertisement in newspapers and / or, property dealers and estate agents and / or others. Initial negotiations for these potential sites may also be carried out by MAP and MFA.

Besides other factors specific to the transaction, the Managers would also focus on rate and price of property, location and condition of the property. They would also verify that the properties comply with the requirements of land revenue department and municipal corporation.

EXHIBIT 3.1

Comparative Statement cum Approval Form		For (Department)	Tender Closes on	Estimated Value of order	Enquiry No. Date		
Item Description							
S. No.	Name of Party	Net Price	Payment Terms	Delivery			
Technical Recommendation:							
Prepared By		Evaluated By 1. 2. 3. 4. 5. 6.		Approved By		Concurred By	

EXHIBIT 3.2

ENQUIRY LETTER							
SIFPSA		Enquiry No.		Date			
		Due Date					
Supplier Code:		Dear Sir, We request you to submit your lowest quotation in duplicate for the supply of the following items subject to the terms and conditions printed overleaf. Please seal your envelope and address it to our Executive Director. Superscribe our Enquiry No. & Date on it.					
M/s							
S. No.	Item Description	Item Code	Qty.	Rate		Value	
				Rs.	Ps.	Rs.	Ps
Total							
Total							
Amount in words (Rupees _____)							
Remarks				For SIFPSA			
				Authorized signatory			
Society's address:							

EXHIBIT 3.3

SIFPSA EVALUATION SHEET									
Material Indent No(s)		Date			Evaluation Sheet No.				
S. No.	Name of Parties	Qty.	Rate per unit	Delivery		Terms of payment	Taxes	Insurance	Remarks
				Schedule	Location				
Name of the selected party					Evaluated by				
Reason					1				
Purchase order No.					2				
Date					3				
Authorised By					4				
					5				
					6				

CHAPTER-4

IMPEREST PURCHASES

4.1 Overview

This chapter discusses the procedures to be adopted when bids need not be invited for procuring items indented by departments.

4.2 Eligibility for Imperest Purchases

Items could be procured by paying cash in any of the following cases

- a. When the value of the item is below Rs. 500 per order
- b. The item cannot be clubbed with similar items of the same group, which could be procured from the same supplier.

Total cash purchases for a month should not exceed Rs. 5,000 in that month. Beyond this limit, special sanction should be obtained from ED for every Rs. 1000.

GM (HAP)'s approval would be required for imprest purchases above Rs. 500 per order and under Rs. 1000. No bids or quotations are, however, required for such purchases.

4.3 Procedure for Imperest Purchases

Imprest purchases should be made by the OP. If standard price list is available, the OP would consider them while procuring such items. An imprest note for such items should be authorised by MAP prior to procurement.

Items should be procured from manufacturers or their authorised agents dealers/stockists as far as possible. Quality and quantity should be checked by the indenter or his or her representative. Where this is not possible, the item may be bought on replaceable/returnable basis to safeguard against possible rejection.

Items purchased would be brought by hand or dispatched under instructions. The OP would be responsible for the correct receipt of material. All material received should be inspected before taken into stock. Cash memos, bearing the gate entry stamp and authorised by MAP, together with the Material Inward Note (MIN) should be submitted to Finance and Accounts Department (FAD) on the following working day. A cash purchase record would be maintained by the OP.

CHAPTER 5

NEGOTIATIONS WITH SUPPLIERS

5.1 Overview

This chapter discusses the procedure to be followed while negotiating with prospective suppliers while procuring materials and services.

5.2 Negotiation Procedure

Generally, negotiations will need to be carried out when the terms and conditions offered by the tenderers are not acceptable. However, in exceptional cases where the prices are competitive and the terms and conditions are acceptable, negotiations may be waived by GM (HAP).

All tenderers would be called for negotiations at timings suitable to the tender committee. The negotiations would be carried out by the MAP and assisted by the GM (Finance) or their representatives. However, while negotiating technical aspects, the indenting department may be consulted if required. In the case of capital equipment a representative of the indenting department would also be present during the negotiations to cover all technical aspects.

If the lowest offer is acceptable, the negotiations may be required to be carried out in respect of the terms and conditions and other minor clarifications. In such cases only the lowest tenderer would be called for negotiations.

Care should be taken to ascertain the appropriate central excise tariff classification and sales tax rates for the items in question at the time of negotiation. Efforts should be made to obtain possible quantity discount for bulk purchases.

CHAPTER 6

PLACING OF PURCHASE ORDERS

6.1 Overview

This chapter outlines the procedures to be followed while placing the Purchase Order (POs).

6.2 Pre-Purchase Audit

Based on the negotiations with vendors, if deviations from SIFPSA's standard terms and conditions have to be accepted, necessary approval should be obtained from the AED prior to placing the PO.

6.3 Financial Concurrence

Before finalizing the supplier, the evaluation sheet, indent and the selected bid would be submitted to GM (FAD) for financial concurrence.

6.4 Placement of PO

Subsequent to the concurrence of the GM (FAD), the PO would be raised. Exhibit 6.1 gives the format for the PO.

Four copies of the PO would be raised, two copies of the PO would be forwarded to the supplier, (one acknowledged copy would be returned by the supplier), one copy for the FAD and one for the Procurement cell.

The PO would be sent to the appropriate authority for signature as per the financial limits given below:

Upto Rs. 50,000/-	MAP
Above Rs. 50,000/- and upto Rs. 2 lakhs	GM (HAP)
Above Rs. 2 lakhs	AED

Depending upon the quantity of the order, orders may be placed on one or more suppliers. Special terms relating to the warranty on defects, commissioning of the equipment in the premises by the suppliers service personnel, insurance etc. should be incorporated in the PO to safeguard the interests of SIFPSA. Similarly, inspection schemes would also be mentioned in the PO.

The PO may be dispatched by the OP through any of the following modes:

- a. Registered AD
- b. Courier /hand delivery
- c. Fax/telex/telegram

After the PO is forwarded to the supplier, the OP would ensure the timely receipt of acceptance and acknowledgement of PO from the supplier.

6.5 Refund of Earnest Money Deposit (EMD)

After the receipt of the acknowledgement of PO and the security deposit from the successful tenderer, the EMD, if any, paid by other tenderers would be refunded. The OP would send an advice to FAD to refund EMD. The OP would also forward the security deposit to MFA.

6.6 Amendment to Purchase Order

If any change in the PO is required, in terms of issues like specifications, quality, quantity, delivery, price and payment terms, the selected vendor would have to be invited for re-negotiation with regard to these terms. Based on these discussion, a proposal for amendment of the PO would be prepared by the OP. However in the case of clerical mistakes OP shall make the changes himself and forward the amendment to vendor. A format for this amendment to the PO is given in Exhibit 6.2.

The MAP would approve all amendments to POs upto a value of Rs. 50,000. Amendments to higher valued POs would be approved by the GM (HAP). On the basis of this approval, an amendment to PO would be prepared. Copies of this amendment would be circulated to the concerned officials to whom the PO has been sent.

If enhancement of quantity exceeds 20% of the original quantity, re-tendering should be done or fresh quotations invited if sufficient time is available to avail of any price advantage for higher quantity.

6.7 Repeat Orders

When an indent is received for additional requirement of an item for which a PO was placed in the preceding three months, a repeat order may be placed on the same supplier instead of following the routine procedure. This procedure may be adopted if the terms and conditions are acceptable to the supplier. However, following conditions should be fulfilled before placing a repeat order.

- a. The original PO was finalised on the basis of lowest of a minimum of three quotations.
- b. The quantity to be ordered is less than 20% of quantity ordered.
- c. No obvious downward trend in rate is observed.

In the case of single inquiries, only condition (c) mentioned above is applicable. If quantity to be recorded is more, efforts should be made to obtain bulk quantity discount.

6.8 Long Term / Annual Rate and Work Contracts

Procedure for entering into long term or annual rate contract with a view to achieving reduction in cost of materials/services procured has been discussed below.

This is applicable in instances where a commodity has to be procured frequently on a routine basis. Such contracts ensure a reduction in lead time, workload and inventory holding.

Initially a vendor's financial soundness should be checked in order to ensure that the selected vendor will be able to meet the company's requirements in the long run. Once these are verified to be meeting SIFPSA's requirements, a PO would be raised mentioning the following:

- a. Approximate quantity required and percentage of variation expected;
- b. Approximate lot sizes and tentative delivery schedule;
- c. Rate and other special terms;
- d. Period of contract;
- e. Payment terms.

After the contract is signed by the vendor, copies should be sent to all concerned departments. A PO would be raised on the selected supplier.

Whenever the material is required, a Supply Order (SO) would be released to the party by the OP indicating relevant contract number, date, quantity required and expected date of delivery. In order to cut short delay, this information may be given to the vendor through telephone, telegram or telex followed by SO. This is necessary to regulate supplies so as to suit society's program. A format of this SO is given in Exhibit 6.3

The SO would be treated as a PO except that conditions outlined in the original contract should also be considered for receiving and inspecting the materials and passing the suppliers' bills.

In case of any special conditions other than those outlined in the PO, the OP would consult company's legal adviser, and his suggestions may be incorporated appropriately.

6.9 Procedure for Follow Up

The primary responsibility for taking expeditious action to procure material as per the indent received would be that of the Procurement Officer. A weekly statement of overdue POs would be the basic document for follow up purposes for all items.

The OP would follow up with the suppliers by means of letters /telephone /telex /telegrams /fax messages. In case of overdue material, personal visits to the suppliers' premises by the MAP or his/her authorised representative may be also be made. Such trips will have to be authorised by the AED. The procurement cell would regularly intimate the indenting department with regard to the status of the supplies.

6.10 Clearance of Goods

When the goods are sent by the suppliers through lorries, a way bill (lorry receipt-LR) is sent either through back or directly. On receipt of this document, the OP would

ascertain whether the goods are received in the local transporters' godown or, if not received yet, regularly follow up with them

6.11 Cancellation of POs

When the vendor fails to supply or supplies late, initial claims for non-delivery / delayed supply would be lodged with the vendor. The PO may have to be cancelled and the vendor penalised as per the terms and conditions mentioned on the PO in the following circumstances:

- a. when the material is not supplied despite repeated extension or
- b. when the lodging of complaints does not have the desired effect and when an alternate supplier guarantees supply when the society wants it.

Copies of the letter notifying the cancellation would be circulated to the concerned departments to whom the PO has been sent. In case the cancellation is due to a lapse on SIFPSA's part, the security deposit, if any, of the supplier would also be refunded along with this letter.

Other quotation on the evaluation sheet may be revalidated by the OP on fresh quotations would have to be invited. A fresh PO would be raised as per the procedure described earlier.

EXHIBIT 6.1

PURCHASE ORDER							
SIFPSA			Indent No.	PO No.	Date		
				Your Ref.	Date		
			Date	Our Enquiry No.	Date		
Supplier Code:		Please acknowledge receipt of this purchase order and supply the following materials as per delivery schedule indicated. This order is subject to conditions printed overleaf.					
M/s							
S. No.	Item Description	Item Code	Qty	Rate		Value	
				Rs.	Ps.	Rs.	Ps.
Total							
Amount in words (Rupees _____)							
Payment Terms Delivery Terms Mode of Despatch Location Sales Tax Excise Insurance Freight Other Particulars Special Instructions				Authorised Signatory			
FOR OFFICE USE ONLY							
Acknowledgement Received on		Reminder		Dt. of Delivery			
Challan No. Date		Invoice No.		Date			
Society's address:							

EXHIBIT 6.2

AMENDMENT TO OUR PURCHASE ORDER							
SIFPSA			Amendment		Relevant PO No.		Date
			No.		Your Ref.		Date
			Date		Our Enquiry No.		Date
Supplier Code:		We hereby change the following terms of our above mentioned PO. Please acknowledge receipt of this amendment to our Purchase Order. This order is subject to conditions printed overleaf.					
M/s							
S. No.	Item Description	Item Code	Qty	Rate		Value	
				Rs.	Ps.	Rs.	Ps.
Total							
Amount in words (Rupees _____)							
Remarks:				For SIFPSA			
				Authorized Signatory			
FOR OFFICE USE ONLY							
Acknowledgement Received on			Reminder		Dt. of Delivery		
Challan No. Date			Invoice No.		Date		
Society's address:							

EXHIBIT 6.3

SUPPLY ORDER							
SIFPSA				SO No.		Date	
				Contract/PO No.		Date	
Supplier Code:			Please supply the following items against your contract with us. This is already conveyed to you by Telex/Telephone /Telegram /Fax.				
M/s							
S. No.	Item Description	Item Code	Qty	Rate		Value	
				Rs.	Ps.	Rs.	Ps.
Total							
Amount in words (Rupees _____)							
Remarks:				For SIFPSA			
				Authorized Signatory			
FOR OFFICE USE ONLY							
Acknowledgement Received on		Reminder		Dt. of Delivery			
Challan No.		Invoice No.		Date			
Date							
Society's address:							

CHAPTER 7

RECEIPT AND ISSUE OF MATERIAL AND PAYMENT TO SUPPLIERS

7.1 Overview

This chapter discusses the procedure that will have to be followed while settling the suppliers' bills and receiving material.

7.2 Inspection and Testing

The OP would ensure that the supplier furnishes acceptable test charts for the equipment and allows the representatives from indenting department to inspect the equipment at the supplier's/SIFPSA's premises and perform test runs, if necessary. This condition, if applicable, should be incorporated in the PO. On receipt of the equipment, inspection should be done by the indenter. The comments of the indenter or his/her representative would be provided on the MIN subsequent to the inspection of the material.

7.3 Receipt of Material

All material purchased should be routed through stores and a Material Inward Note (MIN) be prepared for all items. The following procedure shall be followed :

- 1. On receipt of material four copies of MIN should be prepared immediately on the format enclosed (Exhibit 7.1), by the Store Keeper / Officer Procurement. The MIN should be pre-numbered and should be issued in serial.*
- 2. Inspection of material is required for all receipts in store and the same shall be carried out by the Identing officer. In case of general items like all types of stationery, furniture, electrical items, pantry items, office equipment, etc. for use in the office, Manager (Administration and Procurement) shall be the Inspecting Officer. For items which are technical in nature, the inspection shall be carried out either by the Officer requisitioning the material or a test certificate be obtained from the supplier of the material. The comments of Inspecting Officer shall be recorded on all the copies of MIN.*

- 3. The copies of MIN would be distributed as under :*

<i>Original</i>	<i>:</i>	<i>Stores</i>
<i>1st Copy</i>	<i>:</i>	<i>FAD (along with bills of supplier at the time of payment)</i>
<i>2nd Copy</i>	<i>:</i>	<i>Supplier</i>
<i>3rd Copy</i>	<i>:</i>	<i>Indenting Officer</i>

4. *For cash purchasing also the material would be routed through Stores and MIN would be prepared.*
5. *If the material is rejected during inspection, the material rejected should be kept separately and the supplier would be informed to send replacement and take delivery of the rejected material. If the supplier fails to give replacement within a reasonable time, the PO of that supplier would be cancelled.*
6. *All material rejected should be entered in Purchase Returns and Rejection Register, the format of which is provided in Section VI of Finance and Accounts Manual.*

The material would be then taken on stock by making an entry on the receipt side of the Stores Ledger. A format of the Stores Ledger is given in Exhibit 7.2.

The Government of India, in conjunction with SIFPSA, will have to provide appropriate publicity to the project and United States contribution thereto. USAID emblems should be displayed on all items financed through this project.

7.4 Issue of Material

The GM of the indenting department would authorise a Material Requisition Note (MRN) (Exhibit 7.3) in duplicate. One copy of the MRN would be forwarded to the Procurement Officer and the other would be retained by the indenting department. *The Store Keeper will issue any material on MRN issued by the user department and obtain the acknowledgment from the representative for having received the material. The MRN once received in Store should be numbered in stores and an entry should be made in MRN Control Register where details of MRN such as item requisitioned, name of user, date of requisition etc. should be entered. On the basis of MIN and MRN the Stores Ledger would be prepared in Stores on the Format provided in Section VI of Finance and Accounts Manual.*

7.5 Payment to Suppliers

If the material supplied by the supplier is accepted, the GM (HAP) will send a copy of the Supplier Bill to the GM (FAD). The GM (FAD) after going through all relevant documents such as PO, MIN and Supplier Bill, will arrange for payment to the supplier at the earliest.

7.6 Overdue Payments

The OP would coordinate with the FAD and the supplier in case of overdue bills for payment by SIFPSA in expediting by:

- i) Making available to FAD the required documents.
- ii) Clarifying the doubts arising out of non-fulfillment of order
- iii) Inform the supplier the reason for non-payment of his bills wherever it is necessary and desirable, so as to maintain better vendor relationship.

EXHIBIT 7.1

**SIFPSA
MATERIAL INWARD NOTE**

Supplier Code: _____

M/s _____

MIN No. _____

Date _____

Challan No. _____

Invoice No. _____

GRN No. _____

PO No. _____

Date _____

Date _____

Date _____

Date _____

S. No	Item Description	Item Code	Quantity					Remarks
			Ordered	Received	Damaged	Rejected	Accepted	

PREPARED BY _____

AUTHORSIED BY _____

INSPECTION REPORT

Department _____

Status _____

Accepted _____

Hold _____

Comments _____

Rejected _____

Inspected By _____

SIFPSA STORES LEDGER												
Materila Description:					Code:				Folio No.			
Unit of Measurement:					Location							
Date	Receipt				Issued		Balance		Stock checked			Remarks
	MIN No.	Qty.	Rate	Amount	MR No.	Qty.	Qty.	Rate	Remarks	Date	Initials	

SIFPSA								
MATERIAL REQUISITION NOTE								
From: _____						No. Date		
Please deliver the following material to _____ for _____								
S. No.	Item Description	Item code	Quantity		Unit	For Store Deptt		Remarks
			Regd.	Issue		L.F. No.	Initials	
Authorised By			Material Issued By			Material Received By		

CHAPTER 8

REGISTRATION OF SUPPLIERS

8.1 Overview

This chapter discusses the procedure to be adopted while selecting and registering suppliers for SIFPSA.

8.2. Procedure for Registration of Suppliers

8.1.1 Selection and Registration of Suppliers

Selection of suppliers should be done either when a supplier approaches the company for registration, or a need is felt to locate suppliers for certain categories of items.

For identifying new sources of supply, relevant technical directories may be referred to. Every three years, an advertisement would be released in all leading dailies for registering new vendors in specific areas as identified. For specific items, respective associations of manufacturers and dealers may also be contacted. The potential suppliers would have to provide the details on their letter heads in duplicate for their registration.

The information furnished should be examined. If the supplier has the necessary potential, he should be invited for discussions with the relevant documents. Reference may also be sought from the applicant's clients to ascertain the latter's performance.

Samples would be called for and tested or verified in the case of consumable and promotional items, wherever necessary. Those suppliers who do not meet the standards or specifications should be rejected.

When large volume of business is expected, potential suppliers' premises would be visited by representatives from administration and concerned departments to assess the quality control, organization and facilities available with the applicant. Based on their findings, MAP should forward his recommendations to GM (HAP) for approval. Plant visits may be waived if MAP is satisfied with the declaration made by the applicant.

Suppliers who have been approved would be given an appropriate code number and included in the list of approved suppliers. Suppliers not considered fit for approval may be informed of their shortcomings within one month from the date of their sending the application form.

8.1.2 Maintaining List of Approved Suppliers

A list of approved suppliers would be maintained by the OP. This would be used for selection of suppliers for addressing tender inquiries.

This list should be maintained

- i. In the alphabetical order of suppliers' names giving necessary details such as name, address, location, telephone number, telex number, telegram code, persons to be contacted and their designations groups of items dealt with, performance code etc.
- ii. In the order of material groups giving necessary details.

The list of suppliers would be divided into two major categories 'A' and 'B' category should consist of suppliers who are financially sound and capable of carrying out large orders and 'B' category would contain the list of other suppliers. While inviting quotations, preference may be given to 'A' category suppliers depending upon the volume of requirement. These categories may be reviewed every year when the performance of suppliers is assessed.

Previous suppliers should be included in the list unless they are de-registered or have a limited ability to fulfill the new requirement. Further, the most likely and suitable sources of supply based on their previous or known performance should be included. The suppliers would be invited to quote based upon SIFPSA's past experience until such time that the list of approved suppliers is not prepared. In case a number of sources are available, evaluated vendor lists could be used to identify the best of the sources to be contacted.

8.2.3. Sources of Supplies

Even though sources of supplies are identified and procurement is carried out, relying on a very few source may result in problems like:

- a. loss of bargaining power with vendors
- b. vendors not reacting to market trends particularly when prices fall
- c. lack of alternative vendors if the existing source becomes less efficient

Thus, evaluation of existing vendors should be carried out every year. Fresh effort should be made to develop new vendors every three years.

8.2.4 De-registration of Suppliers

A registered supplier would be de-registered in any of the following instances:

- i. if the supplier fails to supply material/services after accepting the order without valid reasons and does not arrange for an alternative source within a reasonable time as agreed by the Company,
- ii. if the supplier resorts to malpractices;
- iii. if there are undue delays in dispatches without any acceptable reasons;
- iv. if the supplier fails to honour five consecutive inquiries; or
- v. if the supplier refuses to replace defective supplies.

MAP may take appropriate action in this regard only after he or she issues a warning to the party.

De registration proceedings should be initiated by the MAP and approved by GM (HAP). The de registration of a supplier would be intimated only by way of a registered letter.

8.2.5 Re-registration of Suppliers

Deregistered suppliers can be included in the approved list of vendors only after a minimum time of two years has elapsed since their deregistration. In such cases, the vendors will have to follow the procedure outlined in Section 8.2.1 prior to inclusion in the list.

CHAPTER 9 VENDOR RATING

9.1 Overview

This chapter provides the procedure for vendor rating with view to assessing the capabilities of the vendors and guiding Procurement cell in selecting the right vendors.

9.2 Need for Vendor Rating

A vendor's performance in meeting the requirements and standards set by the buyer should be assessed in a systematic manner. Such a system would also guide the buyer to select appropriate supplier depending upon the prevailing buying conditions.

9.3 vendor Rating System

The PO and MIN are the two input documents considered in the design of vendor rating system. This rating system will be applied to each PO that is being raised on a supplier. The Vendor Rating System would consider the following issues while evaluating the potential suppliers:

- i. Price of material supplied
- ii. Quantity
- iii. Quality of the material supplied
- iv. Capacity of the vendor to meet emergency situations
- v. Financial soundness of the vendor
- vi. Vendors adaptability to the company's terms and conditions

The OP would have to give appropriate weightage to these points before arriving at a decision on a vendor. Subjectiveness of the evaluator can reflect into the system under such circumstances.

9.4 Vendor Rating Statement and Its Uses

The OP would compile the vendor rating statement based on the details of the suppliers, material supplied, PO, date of receipt, ordered quantity, accepted quantity and rating points.

The OP would use the statement for the following purposes:

- i) To eliminate vendors who repeatedly fail to meet the standards;
- ii) For selecting the right supplier when two or more supplier quote the same price and other terms;
- iii) For allocating share of business to various suppliers;
- iv) To warn a supplier if its rating is low and to suggest ways and means of improvement;
- v) To reject the quotations/bids from vendors with low rating;

9.5 Review of the System

Periodic checks would have to be taken up for the issues discussed under section 9.3. While the OP should review these weightages every two years, the initials system developed may be reviewed at the end of the first year.

SIFPSA has to maintain books and records for atleast three years after the date of last disbursement by USAID.

CHAPTER 10

LEAD TIME ANALYSIS

10.1 Overview

This chapter provides guidelines for reviewing various purchase operations in order to streamline the purchase operations and ensuring better control.

10.2 Guideline for Review of Purchase Operations

10.2.1 Review of Financial Limits for Approval of Purchase Order

The senior management may review the financial limits for approval of indents and POs as and when they feel the necessity for the same.

10.2.2 Lead Time Analysis

Lead time plays an important part in inventory holding and norms for emergency purchases which generally result in higher ordering cost and price. While external lead time may not be controllable, periodical statement such as overdue indents and overdue purchase order give an indicating in this regards.

A periodical analysis of Indents, CSAMs, POs and other related documents should be conducted to identify actual average lead time over a period and identify bottlenecks. On the basis of the above, corrective actions should be taken to remedy the situation and bring down the actual lead time within acceptable limits. Table 10.1 gives the stages for analysing lead time. Exception could be made in certain cases, where clarifications are required, negotiations are conducted and the like.

TABLE 10.1

INTERNAL LEAD TIME

S. No.	Activities	No. of Days
1.	Indent Processing	1
2.	To Float Enquiries	3
3.	To Float Tenders	15
4.	To Prepare a CSAM	2
5.	To Finalize the Supplier	5
6.	To get Financial Concurrence	1
7.	To Place the PO	1
8.	To Get material Cleared from Transporter	2
9.	To Inspect the Material	2

The lead time to be provided to prospective suppliers has already been discussed in Table 3.1. These may be reviewed from time to time.