



# Small Scale Livestock and Livelihoods Program (SSLLP) Procurement Policy

## Policy Statement:

The primary objectives of this policy document are to ensure:

- Procurement in SSSLP is developed in line with best practice;
- Procurement practices comply fully with statutory regulations and directives under the laws of Malawi;
- SSSLP meets the standards of procurement practice expected from partners and funders alike
- Savings and performance targets are met, within SSSLP.

This document is designed to ensure a common approach by SSSLP in the procurement of products, equipment and services. The policies and principles set out herein will ensure that SSSLP will, as a whole, comply with the very best practices across the non-governmental sector and the public sector in Malawi and globally. Implementation of these policies and principles will ensure that SSSLP complies with donor directives and Malawi Government Guidelines, gets best value for money and ensures that in general, a competitive process is carried out in an open, objective and transparent manner to achieve best value for money in public procurement.

It is very important that the procurement function within SSSLP is discharged honestly, fairly and in a manner that secures best value for public money. SSSLP must be cost effective and efficient in the use of resources while upholding the highest standards of probity and integrity.

## Important General Issues

### ▪ Expertise and Probity

SSSLP should ensure that staff involved in purchasing or placing contracts are familiar with the National, Regional and International rules that may apply. It is also incumbent on SSSLP to take measures to separate functions within the procurement cycle, by ensuring that, for example, ordering and receiving goods and services are distinct from payment for goods and services.

### ▪ Casual Purchases:

Divisions should examine purchasing profiles to minimize casual or “once off” purchases. An appropriate contracting arrangement should be put in place for efficient and cost effective delivery of recurring supplies and services.

### ▪ Pilot Projects:

Where a procurement process involves a pilot stage, the pilot should be conducted in a manner that allows and encourages the identification of a range of acceptable options.

- **Sole Suppliers:**

Where it is necessary to deal with a sole supplier, service provider or contractor, arrangements, which provide best value for money, should be negotiated. SSSLP should take care when it faces such a scenario. Open-ended arrangements with these distributors should be avoided where possible.

- **Conflict of Interest**

SSLLP should be aware of potential conflicts of interest in the tendering process and should take appropriate steps to avoid them. This should be done in line with provisions of SSSLP's Conflict of Interest Policy

- **Statutory Provisions**

Before awarding a contract, SSSLP should ensure that tenderers have regard to statutory provisions relating to minimum pay, legally binding industrial or sectoral agreements and relevant health and safety issues, when preparing tenders.

- **Collusive Tendering**

SSLLP should watch for anti-competitive practices such as collusive tendering.

- **Criminal Convictions**

Candidates or tenderers who have been convicted of involvement in organized crime, fraud, corruption or money laundering must be excluded from performing an SSSLP contract.

Definition of Terms:

<b>Call expressions of interest for</b>	The means by which SSSLP advertises its requirements
<b>Candidate</b>	Supplier, contractor or service provided seeking to be included on tender list
<b>Contracting Authority</b>	The buying organisation i.e. SSSLP
<b>PA</b>	Procurement Agreement
<b>Irregular Tender</b>	A tender that fails to comply in all material respects with the specification
<b>ITT</b>	Invitation to Tender
<b>Negotiated Procedure</b>	A purchasing procedure that involves negotiating with a small number of companies (approx 3). Widely used by SSSLP
<b>Open Procedure</b>	This is a commonly used purchasing procedure whereby all those companies who apply for tender documents will be allowed to tender.
<b>Restricted Procedure</b>	2 Phase purchasing procedure. Phase 1 seeks information on minimum criteria, which must be met in order to be considered for tender list. Under this procedure normally at least 5 organisations are invited to tender (Phase 2).
<b>RFT</b>	Request for Tender
<b>Service Provider</b>	An individual or company which provides services
<b>Specification</b>	A description of the product or service required in terms of functional and/or technical performance etc.
<b>Supplier</b>	An individual or company, which provides goods or products.
<b>Tender</b>	The documentation issued by a contracting entity seeking prices and or proposals. Tender also refers to the submission from the supplier or service provider detailing their offer.
<b>Tenderer</b>	Supplier, contractor or service provider invited to submit a tender

## The SSSLP Procurement Process:

### 1. STEP 1: Specify goods or services to be purchased, check budget

The standard, quantity and price of goods or services required, as described in the activity plans, is clarified so that it is clear what needs to be purchased. The amount currently available in the budget for the item to be purchased should be checked at the specification stage in case the price has changed since the budget was prepared.

### 2. STEP 2: Prepare Purchase Requisition

An internal request is prepared – usually on a standard form for that purpose – to formally request the purchase of the goods or services specified. The request will include a description of the purchase and state why it is required.

### 3. STEP 3: Authorize Purchase Requisition

The purchase requisition will usually be checked and authorized by the Executive Director, Head of Development Programmes, Head of Research, Consultancy & Outreach, Program Managers or other persons nominated by the Executive Director to verify that there is a genuine reason for the purchase. The available budget will usually be checked again at this stage.

### 4. STEP 4: Obtain Quotations

Quotations from reputable independent suppliers are requested (in accordance with internal procedures and donor rules) to make sure SSSLP gets best value for money and to minimize the risk of collusion. The quotations have to contain the total cost estimate to SSSLP including VAT. The prospective supplier shall indicate whether they have a withholding tax exemption certificate to SSSLP for purchases where such as a tax is applicable. In cases, where withholding tax is applicable but the supplier has not been able to provide the withholding tax exemption certificate, SSSLP shall apply the prevailing rate to the payment in the case where that particular supplier has been selected.

No SSSLP member of staff shall make a commitment to any of the prospective suppliers on behalf of SSSLP when getting the quotations from the prospective suppliers. The table below provides the required number of quotations and the solicitation method based on the price of goods or services required;

Price of Goods/ Services	Number of Quotations	Solicitation Method
10, 000 Euros or Less	1	Single-Sourcing method
10, 001 – 100, 000 Euros	2	Competitive negotiated procedure without publication; consults at least two service providers of its choice and

		negotiates the terms of the contract with one or more of them.
Over 100, 000 Euros	3	Open tender procedure published locally in all relevant media as well as on SSLLP Website and Social Media

#### 5. STEP 5: Select Supplier

Quotations are reviewed and a supplier is selected based on price, quality, delivery times and 'after sales' terms to ensure value for money. At this stage, in cases where SSLLP wants to purchase goods then physical examination needs to be arranged before finalizing the selection process of the supplier. For larger purchases, SSLLP will have a Purchasing Panel – a small group of managers and board member(s) who take responsibility for selecting the supplier.

#### 6. STEP 6: Issue (Authorized) Purchase Order (PO)

A properly authorized Purchase Order is sent to the selected supplier with a copy kept on file with the supplier's quotation. This is a legally binding contract with SSLLP.

#### 7. STEP 7: Receive Goods from Supplier

When supplies are delivered and received, a Goods Received Note (GRN) is usually signed to confirm receipt and a copy filed for later reference.

#### 8. STEP 8: Receive and Check Supplier Invoice:

The invoice should be checked and matched up with the GRN, PO and quotation, usually by the finance team.

#### 9. STEP 9: Prepare and Authorize Payment Authority

The Payment Authority is attached to the invoice and all the supporting documents. It includes budget and accounting codes and must be checked and authorized by the Executive Director, Head of Development Programmes, Head of Research, Consultancy & Outreach, Program Managers or other persons nominated by the Executive Director.

#### 10. STEP 10: Pay Supplier Invoice:

Payment should be made to the supplier within the specified payment terms, usually within 30 days.

#### 11. STEP 11: Enter Payment into Cashbook:

The final stage is to record the payment in the SSLLP's books of account. Note that the procurement stages described here are for major orders not small cash purchases.

Authorization (Thresholds) and Responsibilities:

Certifying and Authorizing invoices:

For an invoice to be paid by SLLP it must be certified by the Finance and Administration Office who confirm that the goods/services have been received and authorized by an officer at Head/ Manager level or above from the cost center incurring the expenditure, subject to the following predefined monetary limits

Grade	Authorization Limit			
	Malawi Kwacha (MWK)	United States Dollar (USD)	Euro	Pound Sterling
Grade C	No limit	No limit	No limit	No limit
Grade B	Up to MWK 20, 000, 000	up to \$20,000	up to €20,000	up to £20,000
Grade A	Up to MWK 5, 000, 000	up to \$5,000	up to €5,000	up to £5,000

To authorize an invoice for a particular cost center, you **must** be listed on the **authorizing officers form** for that cost center currently held by Finance and Administration Office. Original completed copies of these forms should be submitted to Finance and Administration Office and must be updated whenever there is a change to the authorizing officers for any cost center. Finance and Administration Office will request updates on these forms annually however it is the Office's responsibility to ensure that invoices are being authorized only by officers listed on the authorizing officers form for that cost center.

SLLP should endeavor to have an authorizing officer at the three permissible grades in the table above (or equivalents) for each of their cost centers i.e. a project in order to cover the range of authorization limits listed above.

Framework Agreements:

### **Framework Agreements/Panels**

The nature of the NGO operating environment in Malawi at times requires “framework agreements” under which NGOs like SLLP can enter into arrangements with suppliers or service providers to supply goods or services under agreed conditions for a period of time, normally not more than four years. Under these agreements, some elements of the requirement, for example quantity, price, precise product specification, will generally not be fully established at the start of the agreement. SLLP framework agreements should set out the precise nature of the proposed procurements to the highest degree possible.

Framework agreements can be with one supplier or service provider, selected following a competitive process, to fulfill orders or supply services over the period of the agreement. Alternatively, they may be with a number of (at least three) pre - qualified suppliers or service providers. In the latter case, a contract may be awarded to one party to the agreement if the terms of the agreement so permit, or a contract may be the subject of a sub - competition between parties to the framework agreement.

The fundamental requirement is that non - discriminatory and transparent competition prevails in establishing framework agreements and in awarding contracts on the basis of such arrangements.

Operation of Panels/Lists of Pre-Qualified Suppliers:

Lists of companies can be established from which future tenders may be sought for ongoing regular requirements. The existence of such a list from which tenders will be requested as and when requirements arise must be advertised at the end of a financial year preceding a new financial year.

The following shall operate in relation to panels/lists:

- Lists must be advertised on an annual basis;
- They must be established on the basis of seeking information on financial and technical capacity;
- Selection of tenderers may be in accordance with:
  - a. Application of specific criteria, based on information available,
  - b. Random selection,
  - c. Rotation,
  - d. Or a combination of the above.



## Quotation/Tendering Procedures

### A. Low Value Procedure (less than MWK250,000)

This procedure must be used for purchases with an estimated value of less than **MWK250,000**.

- One or more quotations from competitive suppliers,
- Market testing should be carried out periodically,
- For purchases of less than MWK100,000 the use of a low value purchase card should be considered, otherwise a Purchase Order must be raised,
- Relevant backing documentation filed (See reference to documentation).

### B. Medium Value Procedure (between MWK250,000 and MWK500,000)

This procedure must be used for purchases with an estimated value greater than **MWK250,000** and less than **MWK500,000**.

- Allocation (budget) must be in place before proceeding with purchase,
- Expenditure approval of budget holder required,
- Minimum of three competitive quotations based on specification,
- Advertising on SSSLP website, social media pages is recommended,
- All contract award procedures should include a verifiable audit trail,
- Purchase Order must be raised,
- Relevant backing documentation filed (See section on documentation).

### *C. High Value Purchase (between MWK500,000 and Above)*

This procedure must be used for purchases with an estimated value greater than MWK500,000.

- Allocation (budget) must be in place before proceeding with purchase,
- Expenditure approval of budget holder required,
- Formal tendering must be used,
- Specification is required,
- Minimum of 3 weeks response time for suppliers,
- Advertise on local papers and SSSLP outlets unless under exceptional circumstances,
- Sealed bids before a prescribed date,
- Formal purchase approval supported by technical/commercial recommendations where appropriate,
- All contract award procedures should include a verifiable audit trail,
- Purchase Order must be raised,
- Relevant backing documentation filed (See section on documentation).

## Formal Tendering Process

### a. Budget approval

A realistic estimate of all phases of the service or product is essential, as this will influence the procurement procedure to be followed and is important for budgeting purposes. Establish whether sufficient funds are available to meet the purchase. If there is an on-going commitment into a subsequent year, the funding for this eventuality must be factored in. It is important at this stage to determine whether the estimate (exclusive of VAT) is over the relevant procurement threshold **(Budget check)**

Once a realistic estimate of cost is available the relevant budget holder (Executive Director, Deputy Executive Director, Heads, and Program Managers) should be requested to approve the expenditure. This should be done in a timely fashion. SSSLP senior management review of the business case must, at a minimum, assess and approve the business justification for the procurement on presentation of the full business case; the decision to hire external support; and the procurement strategy proposed.

If no funding is available it will be necessary to make a business case to the Finance and Administration Office to establish if funding can be availed. Under no circumstances must a commitment be made to initiate any procurement process in the absence of a sufficient budget sanctioned by the Finance and Administration Office, Program Manager and Senior Management.

### b. Specification of requirements:

A specification should be as open and generic as possible to avoid favouring one bidder or a particular solution. The performance and or functional characteristics of the product or service sought should be set out in language that is clear, concise, logical and unambiguous. The specification must be comprehensive with sufficient information for potential bidders to decide and put a cost on the supplies and/or services required and must set out the criteria for the selection of the successful tenderer.

It is very important that the specification does not make reference to trade names/patents or individual companies. In exceptional circumstances where there is no alternative it is essential that the words "or equivalent" are included.

### c. Terms of Reference

Terms of reference are essentially the specification for consultancy services. Standard terms of reference include:

- Brief background on SSSLP including scale and number of staff etc;
- Details and background of the proposed assignment;
- Required deliverables from consultant;
- Timeline including proposed starting date;
- Outline resources to be provided by SSSLP if relevant;

- Reporting & contact details;
- Selection details including contract award criteria;
- If required, notification that presentation to selection panel must be made;
- Request for reference details and CV's of proposed project team.

d. Selection of potential suppliers:

It is important to put serious thought and consideration into the selection of potential suppliers. One established way is to establish a list of firms from which tenders for different requirements can be sought. The existence of such list(s) should be advertised annually and the admission to the list must be open to suitably qualified entrants at all time. It is very important that the use of lists is done so in an open, transparent and non-discriminatory way.

In general terms it is always prudent to take a proactive approach in investigating the market with a view to sourcing new suppliers. This is particularly so when the tenderers on existing list have not change in some years.

e. Pre tender clarification requests

Following the issue of tender documents, any further correspondence with the tenderers prior to the closing date of the competition, must be verifiable, e.g. copy of fax, email or registered post. It is recommended that any bidders seeking clarification or additional information do so to a specified email address rather than by phone. Any response to verbal queries should be confirmed in writing /email.

Responses to requests for information or for tender documentation in an open procedure and any other supporting documentation must be issued without delay and within a maximum of six days of the request. Requests for additional information received in good time must be replied to at least six days before the latest date for receipt of tenders. In order to avoid giving any unfair advantage, additional information supplied to one party in response to a request for additional information should be supplied to every interested party if it could be deemed significant in the context of preparing a tender.

It may arise where tenderers do not have sufficient time to prepare a complete tender and they request an extension to the bidding period. Only in very exceptional circumstances should a request for an extension be granted and normally this will only occur if a substantial number of interested parties submit similar requests. Under no circumstances should an extension be given if the request is received within seven days of the closing date.

In the event that bidders are invited to visit a site/office to fully assess a proposed contract before submitting a formal tender, all

companies/individuals on the tender list must be invited so that each has the same opportunity to tender effectively. Site visits must be carefully arranged and supervised by a nominated person and due care must be taken to ensure that all bidders are given the same information and access.

f. Developing evaluation selection/award criteria

All tendering procedures can be divided into two separate assessment operation:

- Selection Criteria – These criteria are concerned with the qualities of the supplier as such in terms of their financial, economic and technical resources at their disposal.

- Contract Award Criteria – The award criteria relate to the qualities and cost of the products or services which the supplier proposes to provide if successful in winning the contract.

In short, contracts are awarded after applying the award criteria, but only after the suitability of those excluded have been checked under the suitability criteria.

Sample of Award Criteria for a Service Contract			
	Criterion	Weighting	Minimum score required
1	Ultimate Cost	35%	N/a
2	Methodology for delivery of the service	20%	1200
3	Quality, quantity and balance of resources offered	30%	1800
4	Project plan	10%	600
5	Reliability and continuity of supply	5%	300

Sample of Award Criteria for a Supply Contract			
	Criterion	Weighting	Minimum score required
1	Ultimate Cost	40%	N/a
2	Quality of Product Offered	25%	1500
3	Contract Management	15%	900
4	Delivery Schedules proposed	15%	90
5	Reliability and Continuity of Supply	5%	300

*Evaluating Selection Criteria*

When information is sought from suppliers to test their financial and technical competence as part of the expression of interest under the restricted procedure or as part of the tender under the open procedure, all the information received must be assessed

In the open procedure it is a process of verifying that tenderers meet the minimum levels set (a yes/no process, whereby they must meet the minimum levels). In the open procedure a large number of tenders may be received. The evaluation process involves firstly confirming that the

tenderers meet the minimum levels of financial/technical competence; secondly confirming that they comply with the specification and lastly, they are evaluated against the award criteria.

When a notice is published using the restricted procedure it requests candidates to supply information concerning their financial and technical competence – a questionnaire can be used to ensure standardised responses. The information needs to be evaluated using a scoring matrix. Weightings must be applied to each criterion prior to opening/assessing the expression of interest.

#### *Evaluating Award Criteria*

When tenders have been received, they should be evaluated on the basis of the specification issued and the award criteria and weightings indicated and by the same team appointed before the invitation to tender has issued. In relation to award criteria it is a requirement to include the weightings for each criterion in the tender documents (for EU procurements). Tenders must be evaluated against the stated criteria. No new criteria can be introduced once the tenders have been received. The tenderer with the highest score, meeting all the criteria is the winning tender.

#### g. Delivery and opening tenders

All tenders should be opened together and as soon as possible after the designated time and date of receipt. They must be opened in the presence of two officials to ensure in the case of a dispute there is a clear and formal vouched report of the tenders received. They should be signed and date stamped as should the Form of Tender and other tender pages, which contain prices, rates etc. Tenders received after prescribed deadline should be returned unopened.

Tender details should be recorded on “Certificate of Tenders Received” (See templates). The two officials involved in the opening process should sign this form.

After tenders have been opened, information relating to tenders should not be disclosed to any of the tenderers or to any staff not officially concerned in the tendering process.

#### h. Evaluation of tenders and contract award

Tenders are evaluated on a technical/commercial basis.

- Only tenders that comply with the specifications and general requirements of the tender documentation will be considered
- A tender that does not meet these needs cannot be accepted and must be treated as invalid
- The pre-published award criteria may not be altered in carrying out the evaluation process
- Tenders which fall into the following categories may be rejected:

- Irregular tenders which fail to meet the specification;
- Unacceptable tenders which fail to meet the suitability criteria, or late;
- “unsuitable” tenders which fail properly to address the requirements to any reasonable degree.

### Example of Tender Evaluation Spreadsheet

	Quality of Product	Delivery Schedules	Contract Management	Cost	Total Score
Weighting	45%	10%	10%	35%	
Minimum Score	27%	6%	6%	N/a	
Tender A €150,000	2700	800	800	3,500	7600
Tender B €200,000	3600	800	800	2,625	7,825
Tender C €250,000	3600	1000	1000	2,100	7,700

The result shows that Tender B is the winner even though priced at 33% higher than the lowest cost.

### Scoring Cost

Cost scoring may be carried out using a variety of different formulae. The two most commonly used methods include:

1. Graduated Scale is calculated as follows: number of points scored = the cost of the lowest valid tender divided by the cost of the tender being assessed and multiplied by the maximum score achievable.

2. Sudden Death is calculated as follows:

Number of points is calculated by deducting the same percentage from the maximum score achievable as the percentage by which the tender in question exceeds the cost of lowest tender.

Maximum Score	Tender A	Tender B	Tender C
3500 points (Representing cost at 35% weighting)	€150,000 (lowest cost)	€200,000 (33% higher)	€250,000 (66% higher)
Formula using Graduated Scale	$\frac{150,000 \times 3500}{150,000}$	$\frac{150,000 \times 3500}{200,000}$	$\frac{150,000 \times 3500}{250,000}$
Score using Graduated Scale	3,500	2,625	2,100
Score using Sudden Death	3,500	2,333 (33% lower)	1,166 (66% lower)

Tenderers should be informed as to which methodology has been chosen for the evaluation and scoring of cost.

### Evaluation Report

To support final approval of the contract the tender evaluation committee/group should complete a signed tender evaluation report, which should be retained on file.

i. De-briefing unsuccessful suppliers

Apart from observing the legal obligations where the provisions of the procurement Directives apply, where contracts are awarded on the basis of the most economically advantageous it is good practice to adopt a voluntary constructive policy on de-briefing unsuccessful candidates. Unsuccessful tenderers should be given an objective assessment of the comparative strengths and weaknesses of their tenders having due regard of the need to avoid compromising the competitive situation of tenderers and for commercial sensitivity.

In the case of contracts under €25,000 unsuccessful candidates should at a minimum be informed of the outcome of their tender by reference to their performance under the relevant evaluation criteria used in the competition an offer of feedback by telephone should normally be sufficient in these cases subject to being satisfied as to the identity of the tenderer.

In the case of larger contracts above €25,000 unsuccessful tenderers should be afforded an opportunity of a debriefing meeting. While many requests may be satisfied by telephone feedback, where a more formal or personal debriefing is required it would be normal practice to have two officials in attendance and a note of the proceedings be kept for the records. Tenderers should be made aware that the decision was not just the opinion of one individual but was made by an evaluation team. The discussions should address the tenderers offer against the evaluation criteria focusing on the relevant strengths and weaknesses of the tender. It is imperative that information such as the identity or the prices of other tenderers or information that could compromise the competitive situation should not be disclosed.

j. Contract Management,

Once a contract has been signed or purchase order has been raised, it is incumbent on the Finance and Administration Office that the supplies, works or services are delivered in accordance with the terms of the tender and the prices quoted. If companies fail to meet these requirements they should be contacted immediately and a management process of improvement put in place. A full written record of all correspondence with/from the supplier should be maintained.

k. Filing and storage of tender documentation

The Finance and Administration Office must maintain complete records of each stage of the procurement process. The records must detail all

decisions made in relation to the contract and must be kept for a period of at least seven (7) years.

The file should be clearly labelled, with contract description and reference number and should be divided into the following sub-sections:

- Post award correspondence,
- Regret letters,
- Approval letter/Purchase Order/ Award Notice,
- Tender evaluation,
- Post tender correspondence,
- Copies of tenders,
- Certificate of tender,
- Pre-tender correspondence,
- RFT documents & tender list,
- Specification,
- List of respondents,
- Approved business case.

A copy of every contract entered into should be forwarded to the Procurement Unit of the Finance and Administration Office.

## I. Risk Management

The process of risk management involves a cycle of identifying risks, evaluating their potential consequences and determining the most effective methods of responding to them. This means reducing the chances of their occurrence and reducing their impact if they do occur.

SLLP should ensure that appropriate procedures are in place to identify and assess all relevant risks throughout the procurement cycle. As a general principle, risks should be borne by the party best placed to manage them and a body should not accept risks, which another party is better placed to manage.

While a detailed exposition of risk assessment and management is beyond the scope of these guidelines, SLLP notes that, typically, risk will impact the its work at different stages and it should be addressed appropriately as follows:

- Project risk. This encompasses risk to a project from the inadequate definition or assessment of the need, scope, scale and financing of the project. These should be addressed in the business case;
- Process risk. This is risk resulting from an inadequate knowledge of national procurement policy and law and from incorrectly or inadequately



carrying out a procurement procedure. Process risk is addressed by adhering to these guidelines and to the other documents referenced herein;

- Relationship risk. This is risk resulting from inadequate relationships with the contract holder and the implementation of the contract. It is addressed by the contract, the project management plan, project management procedures and by review procedures (e.g. mid-term review, independent peer review, etc.);
- Termination risk. This is risk resulting from inadequate definition of project boundaries, of 'project creep', incrementalism, etc. It is addressed by having a business case that specifies the scope of the project; a contract that states how and when project change can occur; by change management procedures; and by the final report.

Engagement of Consultants and other External Support:

**Consultancy** is where a person, organization or group thereof is engaged to provide intellectual or knowledge-based services (e.g. expert analysis and advice) through delivering reports, studies, assessments, recommendations, proposals, etc. that contribute to decision - or policy-making in a contracting authority. The engagement should be for a limited time period to carry out a specific finite task or set of tasks that involve expert skills or capabilities that would not normally be expected to reside within this Department.

**A contractor** is a person, organization or group thereof engaged, for a limited time period, to provide specified goods, works or services (including ICT (information and communications technology) services) that implement established policy objectives; to assist SSSLP in carrying out its operations and functions; or to perform operations or functions that involve skills or capabilities that would normally be expected to reside within SSSLP but which are not currently available. Contractors come under the direction of SSSLP for operational purposes and take day-to-day instructions from local management even though they are not employees of SSSLP. Particular care should be taken at all times to ensure that such contractors are not at any stage explicitly or implicitly treated as employees of SSSLP.

**External Service Providers** are organizations that provide the services or the human/physical resources to meet the ICT and other service requirements of SSSLP. These requirements could include software development; network installation and management; infrastructure management; data center hosting; managed services; shared services, etc.

External service provision involves the transfer of actions for delivering business functions or services to an external service provider but does not include the use of contractors (i.e. external support under the day-to-day direction of SSSLP ) or the cost of purchasing packaged software.

Additionally, external support may be required where:

- a need for an external assessment is deemed essential;
- a study or review is required by an external body (e.g. a donor or partner organization);
- a study/project must be completed within a short time scale and, although the knowledge or expertise may be available within SSSLP, performing the task in-house would involve a prohibitive opportunity cost (i.e. total cost of diverted staff, including relevant overheads etc.) or would be impractical (e.g. staff engaged on other essential duties would have to be diverted), or it might not be possible to redeploy staff cost-effectively redeployed in the timeframe required.

Engaging external support

Before SSSLP considers hiring external support, it must first determine that the project cannot be delivered in-house. If adequate internal resources are not available or if an external review is mandated, it is only at this stage that hiring of external support should be considered.

Documenting the decision to acquire external support

The importance of good documentation in the success of a project should never be underestimated. A project file must be opened, allocated an official reference number and maintained for each project requiring external support. At a minimum, the file must contain the documents listed in **Appendix 2.**

Accounting for consultancy, contracting and external services

Where to charge consultancy expenditure?

All SSSLP expenditure on consultancies should be charged to the relevant budget section within the approved project or organizational annual budgets, exceptions can be made where sufficient justification is made and necessary approvals and authorizations are given by senior management and/or the Board. Consultancy related to project expenditure should be attributed to the relevant project budget.

Establishing the Business Case for Consultancy services

As engaging external support is a cost on the SSSLP purse, a business case such a need and action, linked to SSSLP's business strategy, must be produced and must provide financial justification for the action based on its whole life cost. In essence, the business case must justify the need in business terms; say what business benefits can be expected by implementing it; and must show why the need cannot be developed in-

house and why external support is required. The business case must demonstrate in clear concise terms understandable to senior management that the envisaged solution is the optimum combination of fitness for purpose and whole life cost that meets the SSSLP's policy objectives. That is to say, when implemented, it will achieve Value for Money.

### Whole Life Costings

The total cost of ownership of an asset or a service to SSSLP is the totality of the costs incurred throughout the life of the asset or service and is not simply the purchase price.

Whole life costing assesses the total cost of an asset or service over its whole life: it takes into account the initial purchase cost and additional related costs, (e.g. ongoing maintenance and operational costs, disposal costs (if relevant), and other costs (be they staffing, supervisory, health and safety, etc.) specific to the solution that SSSLP otherwise would have not incurred if it had not acquired the asset or service. If whole life costing is not carried out it is unlikely that VFM can be achieved.

SSSLP must decide the pricing model that will allow the award of a contract on a basis that complies with this policy and that will also obtain VFM over a specified time. This can be achieved by developing a pricing model or cost breakdown structure that will evaluate the fixed (and variable, if any) prices proposed by tenderers over the specified time period. In particular, a tenderers cost proposal must be evaluated to see if it changes SSSLP's costs, and what impact such changes would have.

### Cost benefit analysis

For all consultancies and external support services with an estimated cost in excess of MWK5 million a cost benefit analysis must be carried out. The cost benefit analysis must identify costs on as wide a basis as possible, be maintained and reassessed throughout and be used to set out targets and plans to achieve the identified benefits. It must be annexed to the business case and logged in the appropriate file.

### Re-Tendering

The RFT must state clearly that open ended contracts cannot be awarded and that, in all cases there cannot be an extension of a contract for services without re-tendering, if the cost of the extension is more than 50% of the original contract price or exceeds MWK2,000,000 whichever is the lower. Where future phases of a project are envisaged, RFT's must make it clear that being awarded a contract for any particular phase does not give to the

contract holder any entitlement to be engaged for any other or subsequent phase.

#### Reporting on Contracts

For all contracts with a cost in excess of MWK5 million, the SLLP Executive Director must furnish a separate progress report, on a quarterly basis, to the SLLP Board.

## ANNEXES:

### Annex 1: Form PR - Certificate of Tender Received

Certificate of Tender Received				
<b>Contract Description</b>				
<b>Reference Number</b>				
<b>Opening Date &amp; Time</b>				
Name of Tenderer	Tender Reference	Date of Tender	Price Details	Comments
Signature (Official 1)				Date
Signature (Official 2)				Date

## Annex 2: Form PR - Open Procedure Tender Evaluation

First Stage – Examine if tenderers meet the minimum standards specified in the tender documents/notice, in terms of technical and financial capacity and expertise

Company	Similar Contracts	Design Experience	Staff Qualifications	Turnover/Size	Quality Assurance	Financial Capacity	Safety & Environmental
Company 'A'	YES	YES	YES	YES	YES	YES	YES
Company 'B'	YES	YES	NO	YES	YES	YES	YES
Company 'C'	YES	YES	YES	YES	YES	YES	YES
Company 'D'	NO	YES	NO	YES	NO	YES	YES
Company 'E'	YES	YES	YES	YES	YES	YES	YES
Company 'F'	NO	NO	YES	YES	NO	YES	YES
Company 'G'	YES	YES	YES	YES	YES	YES	YES
Company 'H'	YES	NO	YES	NO	YES	NO	YES

### **Outcome of Assessment:**

- Companies A, C, E and G meet the minimum standard and are therefore eligible to have their tenders evaluated.
- The remaining companies do not meet the minimum standard and are ruled out of further consideration (i.e. their tenders will not be evaluated).

Annex 3: Form PR - Score sheet for Evaluation of Tenders

Example: - Consultancy for Value for Money and Policy Review

<b>Award Criteria</b> →	<b>Quality of proposal in addressing requirements of project</b>	<b>Relevant knowledge, skills and expertise of personnel assigned to project</b>	<b>Ultimate Cost (inc expenses)</b>	<b>Company access to relevant international information</b>	<b>Proposed methodology</b>	<b>Timeframe for delivery</b>	<b>Total marks awarded</b>
<b>Total Points available</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>10</b>	<b>10</b>	<b>5</b>	<b>100</b>
<b>Company A</b>	<b>20</b>	<b>20</b>	<b>22</b>	<b>8</b>	<b>5</b>	<b>5</b>	<b>80</b>
<b>Company B</b>	<b>22</b>	<b>18</b>	<b>15</b>	<b>6</b>	<b>5</b>	<b>5</b>	<b>71</b>
<b>Company C</b>	<b>20</b>	<b>15</b>	<b>10</b>	<b>5</b>	<b>8</b>	<b>5</b>	<b>63</b>

Outcome: - Company 'A' received the highest number of points and is recommended for the contract

Signed: - Evaluation team ..... Date:.....

Annex 4: Form PR - Score Sheet for Evaluation of Tenders – (Multiplier Method)

Example: Purchase of a Van

Award Criteria →	Technical Characteristics	After Sales Services	Accommodation Capacity	Ultimate Cost	Emissions	Total Score
Percentage Weighting	20%	10%	15%	50%	5%	100%
Max Score	2000	1000	1500	5000	500	10,000
Base Score	400	200	300		100	
Multipliers	0,1,2,3,4,5	0,1,2,3,4,5	0,1,2,3,4,5	0,1,2,3,4,5	0,1,2,3,4,5	0,1,2,3,4,5
Rule	Must score 1,200	Must score 600	Must score 900	No rule	Must score 300	
Company 'A' (€50k)	1950	750	1500	4500	500	9200
Company 'B' (€45k)	1750	750	1200	5000	400	9100
Company 'C' (€42k)	1200	650	750	Eliminated	350	Eliminated

The scores for 'ultimate cost' (UC) of each tender were calculated as follows:

Multipliers  
UC of tender 'n'

$$\text{UC Maximum Points} \times \text{Lowest UC responsive valid tender} = \text{Tender 'n' score under 'UC'}$$

Rating	Multiplier
Excellent	5
Very Good	4
Good	3
Fair	2
Poor	1
No evidence	0

**Outcome:**

- Company 'A' who submitted a responsive valid tender and received the highest points is declared the winner.
- Company 'C' was eliminated because they failed to meet the minimum score required under "Accommodation Capacity" (900 points)



## Annex 5: Form PR - Tender Evaluation – Checklist

<b>Contract title</b>		<b>RFT Ref no</b>		
<b>No.</b>	<b>Description</b>	<b>Resp.</b>	<b>Yes</b>	<b>No</b>
<b>1</b>	Examine all tenders to see if they are responsive and seek tender clarifications if necessary			
<b>2</b>	Reject all non-responsive tenders and note reason for rejection			
<b>3</b>	Prepare spreadsheet showing all commercial details and update it if and when technical evaluation report is received			
<b>4</b>	Conduct commercial evaluation of tenders that are technically acceptable, solely on the basis of published award criteria			
<b>6</b>	Where necessary, check standing of company with referees nominated by tenderer			
<b>7</b>	Complete tender evaluation scoring sheet			
<b>8</b>	Prepare evaluation report and submit recommendation for approval			
<b>9</b>	Advise all individuals/Units concerned when contract is approved and issue regret and award letters (note standstill period to be applied to award process for EU contracts)			
<b>10</b>	Seek tax clearance certificate from successful tenderer			
<b>11</b>	Finalise contract details with successful tenderer and issue purchase order			
<b>12</b>	Publish award notice in OJEU (for EU contracts only)			
<b>13</b>	Bring contract file up to date and send details of contract to the Procurement Section of Finance Division			

Annex 6: Form PR - Request for Tender (RFT) Letter

< Company/individual name>

For attention of: < name>

<Date>

<reference no>

**Re:** < contract title>

<OJEU ref No>

Dear Sir/Madam

You are invited to submit a tender for the above contract/competition in accordance with the enclosed tender documents, which comprise the following:

- Technical Specifications
- Conditions of Contract
- Schedule of requirements
- Instructions to tenderers
- Drawings & Tables (if appropriate)
- Certificate of bona fide tender

This letter of invitation takes precedence over the above documentation.

Please ensure the enclosed Form of Tender is completed correctly and signed.

Your completed tender should be submitted in a sealed envelope before the closing date for tenders at 12' noon on <date>.

A tender validity period of six (6) months is required.

Three (3) hard copies (will vary depending on nature of contract) of completed tender are required.

Please return the attached acknowledgement slip to the fax number provided, within 7 days of the date of this letter.

All queries in relation to this tender should be emailed to ..... at email address .....before.....day.....2009.

Tenderers may follow up on previous emailed queries by telephone (phone numbers:.....)

Please read all tender documentation carefully.

Yours faithfully

---

Sute C. Mwakasungula  
Executive Director  
SSLLP

Annex 7: Form PR - Acknowledgement Slip

Please return by fax to: < fax No>

For attention of: < Divisional Contact >

< Contract Title & Reference>

Dear Sir/Madam

We hereby acknowledge receipt of the tender documents for the above contract. We confirm that we will/will not\* submit a completed tender by the closing date.

\*(Delete as appropriate)

Signed.....

Company/Individual name .....

**N.B. This acknowledgement slip must be returned by Fax, within 7 days of the date of issue of the tender documents.**

Annex 8: Form PR - Tender Documents – Checklist

	Contract Title			
	RFT Reference No			
<b>No.</b>	<b>Description</b>	<b>Response</b>	<b>Yes</b>	<b>No</b>
1	RFT letter and acknowledgement slip			
2	Pre-addressed tender return label			
3	Instructions to Tenderers			
4	Technical Specification/ Terms of Reference			
5	Schedule of requirements			
6	Award Criteria			
7	Conditions of Contract			
8	Insurance Requirements			
9	Form of Tender/Schedule of prices			
10	Certificate of Bone Fide Tender			
	<u>Comments</u>			
	<b>Signed</b>			
	<b>Date</b>			