



Field Procurement Manual

2006



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1 INTRODUCTION

1.1 *Purpose and Scope*

This manual outlines Mercy Corps' policy and procedures for all procurement activities in all field offices. The manual establishes the minimum required standards for all procurement activity. Field offices are expected to comply with the policies and procedures set forth in this manual and are encouraged to seek clarification if necessary.

Each Country Director – or equivalent – should have current printed and electronic copies of the manual. Heads of Office, Procurement Managers and Finance Managers should also have copies and are encouraged to distribute the manual to ensure staffs are familiar with its contents. All relevant staff must be trained in the procedures contained in this manual. Additional copies should be made available to all staff in each field office for reference.

1.2 *Making Changes to the Procurement Manual*

Authority to alter this manual rests jointly with the Senior Vice-President of Program and the Director of Procurement, Administration and Logistics Management (PALM). Field offices are encouraged to provide input, suggestions and corrections, but may not alter or change any part of the manual. Suggestions or requests for changes should be addressed to the Director of Procurement, Administration and Logistics Management (PALM) (palm@mercycorpsfield.org).

The manual will be periodically updated to reflect current circumstances and new policies and procedures. Field offices will be notified of updates by e-mail and directed to the Mercy Corps Digital Library to access the revised sections. The Digital Library will always reflect the most current version of the manual. Procurement staff should contact the Mercy Corps Digital Librarian for assistance in accessing the Digital Library if needed.

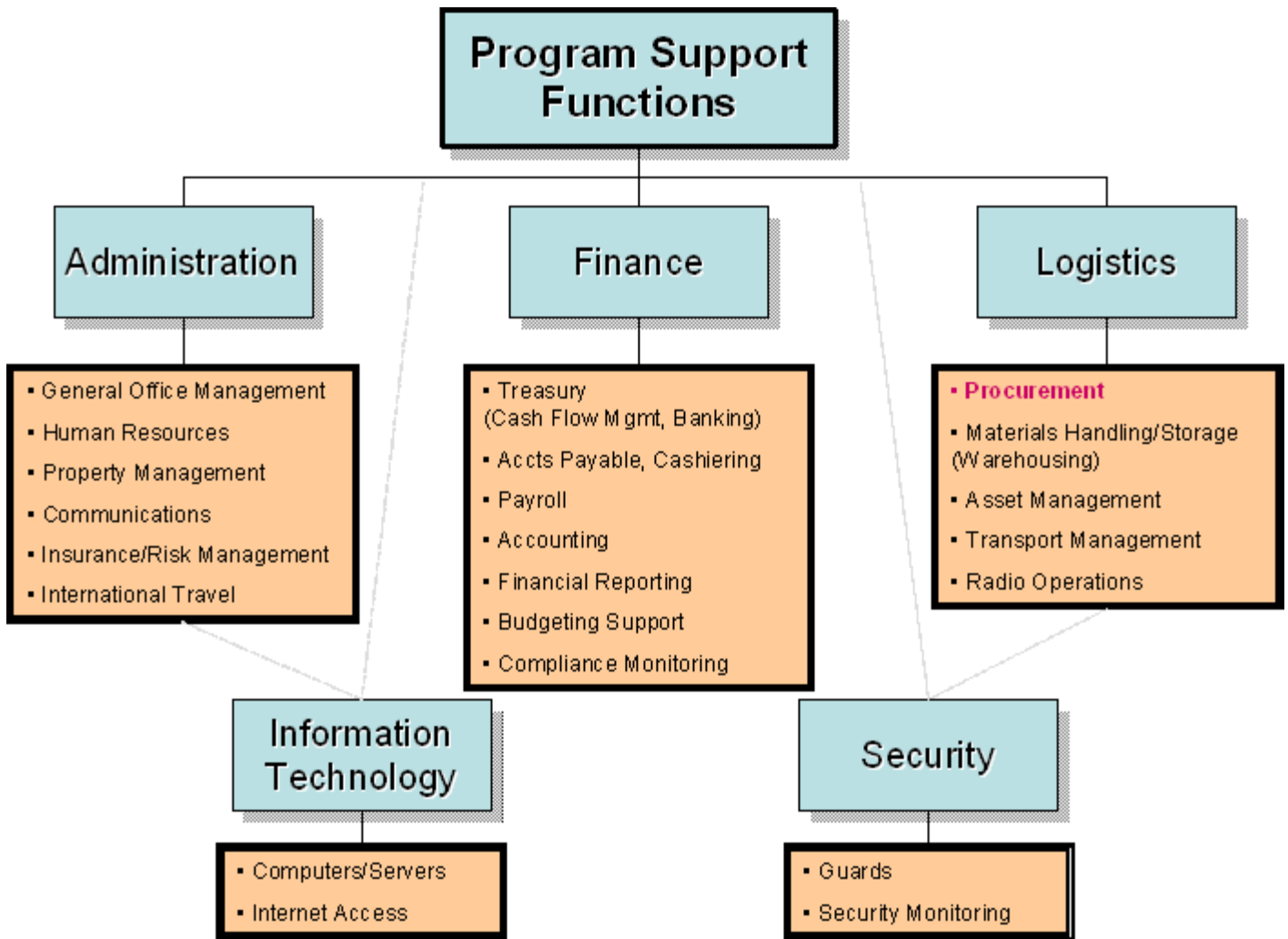
1.3 *Country/Field Office-Specific Modifications*

This manual cannot account for all situations that may occur in the field. The operating environment may require a field office to implement additional specific policies and procedures.

The Procurement Manual establishes minimum standards that must be adhered to for every procurement activity. Local policies and procedures may be created in co-ordination with this manual, but may not supersede this manual. Additional field office policies and procedures must be reviewed and approved by the Director of Procurement Administration and Logistics Management (PALM).

1.4 The Procurement Department in the Organizational Structure

The chart below depicts the procurement department within the functional elements of program support. When the scale of field office does not allow for full staffing of positions described in the chart, it is advisable to organize the field office, and delegate responsibilities to ensure each *function* is performed.



2 STATEMENT OF PRICIPLES

2.1 General Statement

Mercy Corps is committed to implementing and maintaining the highest standards of efficiency and integrity in the purchase of goods and services. The overriding objective for all Mercy Corps procurement activity is the prompt and effective provision of materials and services to Mercy Corps' beneficiary populations in compliance with donor specifications.

2.2 Key Elements

2.2.1 Roles and Responsibilities / Segregation of Duties

Mercy Corps operates a system of decentralized purchasing authority under which country programs are responsible for the management of their funding. The Country Director has the ultimate responsibility for ensuring that procurement functions are executed in accordance with the policies and procedures outlined in this document. It is also the responsibility of the Country Director to ensure that an appropriate segregation of duties exists between the functions in the procurement cycle.

Segregation of duties is defined as the division of tasks and responsibilities such that no one person controls a process from beginning to end and that transactions are reviewed independently at various points during the process to prevent errors, discrepancies or fraud. Individuals assigned to the various tasks in the procurement process should be independent of each other both in function and relationship.

To ensure an appropriate segregation of duties in the procurement cycle, the following roles are necessary:

The department requiring goods or services originates a request to procure a good or service. The management of the department provides pre-approval to purchase based on delegated authority.

The *Procurement Department* is responsible for the establishment of Mercy Corps standardized operating procedures that:

- Locate sources of supply consistent with Mercy Corps and donor specifications and regulations.
- Avoid the purchase of unnecessary items.
- Meet budgetary constraints and requests of programs.

Procurement is also responsible for the selection of suppliers. For specialized or technical purchases, the appropriately qualified program staff should be consulted.

Based on a **fully approved** Purchase Request (PR) the Procurement Department may:

- Initiate, conduct, and conclude negotiations for the purchase of program goods and services.
- Commit Mercy Corps for the purchase of goods and services subject to Mercy Corps Policies.

In the course of its duties, the Procurement Department has a responsibility to:

- Recommend changes in quality, quantity, or type of material requisitioned and suggest suitable alternatives if it is in the best interests of Mercy Corps.
- Develop and support standard specifications and processes for purchase and contracting of goods and services to provide improved service, quality pricing, and reduce time and administrative costs.
- Maintain adequate documentation of purchase transactions and procurement contracts for archival and audit purposes.
- Ensure that purchase orders and contracts are subject to appropriate reviews and approvals, and contain all necessary information, terms and conditions, and signatures to adequately protect Mercy Corps and comply with applicable Mercy Corps and donor policies and regulations.
- Provide reports to effectively monitor and manage purchasing performance.

The procurement department has no authority to approve purchases. The department may only *return* for correction, documentation for the following (but not limited to) reasons: insufficient information, ineligible goods or service, not feasible, or in violation of donor specifications.

When field offices receive goods, procurement staff are responsible for verifying the receipt of goods and ensuring the goods conform to order specifications.

The Finance Department independently reviews the purchasing documentation to verify that there is a budget and sufficient funds are available. It also ensures that records are complete and comply with Mercy Corps policies and donor regulations. Finance is responsible for preparing payments and properly recording transactions in the financial records. Finance has no authority to approve purchases. The department may only *return* for correction, documentation for the following (but not limited to) reasons: insufficient information, ineligible goods or service, not feasible, or in violation of donor specifications.

2.2.2 Pre-approval

With the exception of small or routine purchases as outlined in this document, all expenditures shall require pre-approval by an individual with the written authority to approve that purchase.

Pre-approval is necessary to:

- ensure that purchases meet the needs of the program or purpose for which it is being made
- avoid the purchase of unnecessary items or items already in stock
- ensure that adequate budget provisions have been made for the purchase
- ensure that the purchase is in compliance with Mercy Corps policies and donor specifications

After-the-fact approvals may be allowed in cases of emergency as outlined in Chapter 12 of this document.

2.2.3 Authority of Donor Specific Procurement Regulations

When required by the donor, specific procurement rules and regulations shall be followed as a supplement to Mercy Corps policies. In cases when donor requirements are more lenient than the thresholds outlined in this Manual, Mercy Corps policies are to be followed. It is the responsibility of both the Program Manager and the Finance Manager in consultation with the Mission/Country Director to research any specific requirements as new grants are signed and inform all affected staff members of the requirements.

2.2.4 Sourcing

As an international relief and development agency, Mercy Corps seeks to support the communities in which it works and shall consider local as well as international sources in procurement activities. If the requested goods are locally available, local purchasing is preferred when within reasonable limits of price margins. Donor guidelines and regulations concerning the source and/or origin of goods and services (i.e. preference for local procurement, restricted or prohibited source or origin, etc.) shall be followed for procurement activities conducted under donor-funded programs. Mercy Corps field offices shall pay particular attention to the USAID Source and Origin Regulations (22 CFR 228) for all procurement activities conducted under USAID grants.

2.2.5 Competition

All procurement transactions shall be conducted in a manner providing open and free competition to the maximum extent practical. Mercy Corps personnel shall be alert to organizational conflicts of interest as well as non-competitive practices among contractors that may restrict or eliminate competition. Awards at all levels shall be made to the vendor whose bid or offer is responsive to the solicitation and is most advantageous to Mercy Corps in terms of price, quality and service. Solicitations shall clearly establish all requirements that the bidder must meet for the offer to be evaluated. Solicitations shall be evaluated based on objective criteria established before solicitations are sought.

2.2.6 Price and Cost Analysis

An appropriate price and cost analysis shall be performed and documented in connection with every procurement action. Price analysis will generally take the form of a comparison of quotations, market prices or other indices. Cost analysis should ensure that each element of cost is reasonable, allowable under Mercy Corps and donor regulations, and allocable to projects based on relative benefit.

2.2.7 Documentation and Transparency

Mercy Corps is committed to maintaining a fair and transparent process in the procurement of goods and services. Accordingly, all steps in the procurement process shall be documented in writing using the forms outlined in this document and signed by the appropriate authorities. The documentation shall provide a clear audit trail and shall be made available as requested by HQ, auditors or donor representatives.

3 CODE OF CONDUCT

3.1 Conflict of interest

Definition

- A conflict of interest occurs when an employee, officer, or agent of Mercy Corps participates in the selection, award or administration of purchases or contracts where immediate family (parents, children, siblings, wife/husband and wife/husband's parents and siblings), or partners have a financial interest in the supplier's organization.
- A conflict of interest occurs when employees, officers, and agents of Mercy Corps solicit or accept cash, gratuities, favors, or anything of monetary value from suppliers or potential suppliers.
- A conflict of interest occurs when suppliers participate in the development of specifications, requirements, requests for quotes, or requests for proposals (that include proprietary knowledge or equipment

It is the continuing responsibility of Mercy Corps employees to scrutinize transactions, business interests and relationships for potential conflicts and immediately disclose them. It is possible – upon full disclosure of all relevant facts and circumstances – that conducting business when a conflict of interest exists is not necessarily adverse to the interests of Mercy Corps. Mercy Corps policy requires the existence of any conflicting interests described above *to be fully disclosed before any transaction is consummated*.

Employees, officers, and agents of Mercy Corps who knowingly violate this policy will be subject to such disciplinary action as deemed appropriate by the Country Director.

All disclosures of conflicts of interest shall be made to:

- The Head of Office or Country Director for Country Operations. If the Head of Office or Country Director for Country Operations has a conflict, they shall disclose to the Regional Program Director, Senior Vice President of Program, and the Chief Finance Officer. The Chief Finance Officer shall disclose to the Chief Executive Officer.

The appropriate officer as noted above shall then determine whether a conflict exists and is material. If it is determined that a conflict of interest exists the same officer will determine if the contemplated transaction may be authorized as just, fair, and reasonable. The decision of the appropriate officer on these matters will be made at their sole discretion. Their first concern must be the welfare of the organization and the advancement of its purposes. If Mercy Corps does engage in transactions with organizations associated with conflicts, the employee with the conflict shall be prohibited from participating in the selection, award, or administration of a contract.

To ensure that every Mercy Corps staff is aware of this crucial operating policy,

Every Mercy Corps staff member will sign the Mercy Corps Conflict of Interest Statement.

Related Items

(Appendix III.1) [Mercy Corps Conflict of Interest Statement](#)

3.2 Code of Conduct

The Mercy Corps Code of Conduct outlines responsibilities and procedures that promote the highest standards of integrity. Interacting with outside entities engaged in the selling of goods and services is an activity that is potentially vulnerable to fraud. It is necessary to protect Mercy Corps and all members of staff by formulating and adhering to:

- The guidelines outlined in this manual.
- Clearly defined local procedures for authorizing requests, expenditure and invoices, obtaining quotations and tenders and disposing of assets.
- A code of conduct that explains and promotes the adoption of ethical behavior during all purchasing activity.

All Mercy Corps employees designated with purchasing or contracting authority should understand and observe the Code of Conduct detailed below.

1. Give first consideration to Mercy Corps' best interests, objectives and policies.
2. Staff conduct should not foster suspicion of any conflict between professional duty and personal interest.
3. Decline personal gifts or gratuities from current or potential suppliers.
4. Grant all competitive suppliers equal consideration as Mercy Corps and donor specifications permit.
5. Conduct business with potential and current suppliers in an atmosphere of good faith, devoid of intentional misrepresentation.
6. Make every reasonable effort to negotiate an equitable and mutually agreeable settlement of any controversy with a supplier and/or be willing to submit any major controversies to arbitration or other third-party review, insofar as the established policies of Mercy Corps permit.
7. Promote fair, ethical, and legal trade practices.
8. Treat all information received from suppliers in the strictest confidence.

Gifts

No gifts or money should be accepted. The only exception to this rule is gifts of an inexpensive (less than US\$25) or seasonal nature such as business diaries, calendars or pens. The offer of small gifts is an accepted part of commercial life and care must be taken not to offend or damage relationships with suppliers when explaining that acceptance is contrary to Mercy Corps' normal practice. Any attempt by suppliers to undermine the honesty of staff by the offer of gifts or other inducements should be immediately reported to the Procurement Manager or if it is he/she is under suspicion to the Head of Office. The Procurement Department should maintain a Gift Register where such transactions will be recorded, ensuring the transparency of relations of this nature with vendors.

Hospitality

The provision of hospitality by suppliers may represent an attempt to circumvent the rules on acceptance of gifts. While modest hospitality may be accepted, its frequency and scale should not be significantly greater than that which Mercy Corps would be likely to provide in return. Hospitality should also be registered in the Gift Register.

Travel and Accommodation

All purchasers should be aware that accepting "complimentary" travel or invitations to visit suppliers or other events, particularly to distant or expensive locations, is likely to be regarded as having influenced a particular decision. Offers of this nature should be accepted only in exceptional circumstances and should have *prior* approval of the Country Director.

The Code of Conduct Statement

The Mercy Corps Code of Conduct statement outlines Mercy Corps policies and procedures with regard to standards of conduct governing the performance of its employees engaged in the procurement of supplies, contracted services, and equipment. All such employees are required to sign this policy statement indicating that they have read and understood this statement.

All Mercy Corps staff holding decision-making authority or influence over the procurement process will sign the Mercy Corps Code of Conduct Statement.

Exceptions: **None.**

Related Items

(Appendix III.2) [Code of Conduct Regarding Procurement Activities](#)

3.3 Confidentiality

The prices, terms and conditions under which many of Mercy Corps' suppliers trade are the result of negotiations and mutual trust building. It must be understood by all staff (both Program and Support) that strict confidentiality is observed with supplier information.

Under no circumstances should any contractual or pricing information be divulged to external sources or used as a 'benchmark' for independent negotiations. In some cases, such disclosure may constitute a breach of contract, specifically, a breach of confidentiality or such provisions. This behavior undermines Mercy Corps' reputation as an honest and responsible organization.

3.4 Specific limits to procurement staff authority

Procurement staff authority does not extend to the following:

- Initiating (with the exception of minimal logistics and procurement departmental expenses), verifying appropriateness of goods or services, or approving Purchase Requests.
- Instituting non-Finance approved credit arrangements with suppliers.
- Maintaining bank accounts.

4 VENDOR RELATIONS AND SELECTION

4.1 Vendor Relations

The following considers responsibilities and procedures involved in establishing and maintaining effective business relationships with existing and potential suppliers.

It is Mercy Corps' policy to maintain and practice the highest possible standards of business ethics, professional courtesy and competence in all dealings with past, current and potential suppliers and vendors. In this regard, the following should be observed when dealing with suppliers and their representatives:

- Always accord prompt and courteous reception and fair and equal treatment to all vendors/suppliers and their representatives.
- Provide equal opportunity for vendors/suppliers to make price and specification quotations.
- Guarantee the confidentiality of all specifications and price quotations made by vendors/suppliers.
- Decline to take advantage of vendors/suppliers' errors, and show consideration for vendors/suppliers' difficulties by co-operating with them whenever possible.
- Avoid subjecting vendors/suppliers to needless expense or inconvenience when requesting quotations or returning goods.
- Explain as clearly and fully as possible to vendors/suppliers the reason(s) for the rejection of their bids/proposals.
- Remain scrupulously free of obligations to any vendor/supplier.
- Remain informed about sources of supply, methods, services and materials and encourage vendors/suppliers to test and develop improved or expanded products and services.
- Inform vendors/suppliers about current and anticipated requirements.
- If, for any reason, one vendor/supplier is permitted to re-quote (submit a revised quotation), all competitors should be given the same opportunity. Re-quoting should be kept to an absolute minimum.

4.2 Vendor Selection

The purpose of evaluation and comparison of quotations, offers, and proposals is to determine which vendor has the lowest price for a given set of acceptable specifications and/or conditions. When determining if a quotation / offer / /proposal is acceptable, non-price factors (specifications and conditions) must also be considered. Having done so, the lowest acceptable quotation, offer, or proposal should be selected. Non-price factors to be considered in an evaluation for the purpose of determining the best acceptable quotation, offer, or proposal as specified in the Request for Quotations shall include where applicable:

- Compliance with technical specifications, relevant international standards and technical norms.
- Compatibility with existing equipment and standardization plans or policies.
- Compliance with required time schedules.
- Delivery times.
- Payment terms.
- Guarantees or warranties, availability of spare parts, after-sales services and training.
- Life-cycle aspects covering maintenance and operating costs.

- Capability, capacity, financial standing, past experience and performance of the vendor and its local representative.
- Compliance with donor regulations (e.g. source and origin issues).

Care should be taken to thoroughly review each supplier or vendor's quotation, offer, or proposal in order to detect problems at an early stage.

In the event of a miscalculation in a quotation, offer, or proposal, the unit price will prevail. If it is clear beyond doubt that a mistake has been made, the Procurement Manager may permit the bidder to withdraw, but not alter, the offer or proposal.

Quotations, offers, or proposals for complex goods and services should be submitted to the originator of the Purchase Request for technical evaluation; however, all pricing information should be removed from the offers and proposals prior to the technical evaluation. This can also be done during the quotation analysis meeting.

When considering the award of a high-value transaction to a vendor with whom Mercy Corps has little or no previous experience, a pre-award survey may be performed to obtain information regarding the capability, capacity and financial standing of the vendor under consideration. This can be conducted internally, or by hiring a specialized survey firm.

All steps, arguments, and considerations involved in the decision making process of quotation analysis and vendor selection must be fully justified and documented.

The Purchase Order or Service Contract shall be awarded to the qualified vendor or supplier whose quotation, offer, or proposal is evaluated to be the cheapest and meets the requirements. Any criteria specified in the solicitation documents, such as quality, delivery time, payment terms and compatibility with existing equipment, may be used to evaluate quotations, offers, and proposals.

4.3 Ineligibility and Compliance Checking of Vendors

It is Mercy Corps' policy to comply with the laws and regulations of the United States Government, the European Union and the United Nations concerning the ineligibility of vendors, contractors and suppliers of services for reasons of fraud, corruption or terrorist activity. These laws and regulations prohibit Mercy Corps from doing business with or providing support to any persons or entities that have been found to be engaged in or provide support for any such activities.

The USG, EU and UN have compiled numerous lists to identify such individuals and businesses. Field offices are required to screen vendors, contractors and suppliers against these lists and document the results of the search in the procurement file. Specific procedures for screening and documentation are found in the relevant sections of this manual.

To streamline this process, a consolidated database, World Tracker, is available from the HQ Information Technology (IT) Department. Instructions for the use of the database may be obtained on the Digital Library or by contacting the HQ IT Department. Updates to the database will be periodically distributed from the HQ IT Department.

Questions regarding this policy should be directed to the HQ Director of Procurement, Administration and Logistics Management.

Related Items

Chapter 3.2	Code of Conduct
Chapter 6.5.1.5	Quotation Analysis
Chapter 8.2	Purchasing Contracts
(Appendix VI.5.1.3c)	Conditions of Purchase
(Appendix IV.3a)	Quick Reference: WorldTracker: Basic Configuration
(Appendix IV.3b)	Quick Reference: WorldTracker: Check Individual Names
(Appendix IV.3c)	Quick Reference: WorldTracker: Preparing Files for Batch Processing
(Appendix IV.3d)	Quick Reference: WorldTracker: Running Batch Files

5 EXPENDITURE APPROVAL AUTHORITY

5.1 Approval Authority Matrix

The authority to approve purchase requests is defined by the **Approval Authority Matrix (Field Financial Manual, Form FFM 2.5 A)** in effect for each office. The purpose of the matrix is to specifically identify the parties who have approval authority and the levels of their authority. The matrix form and instructions are contained in the Field Finance Manual, Section 2.5.

5.2 Roles and Responsibilities for the Authority Matrix

Country Director - It is the responsibility of the Country Director to assign approval authorities and levels for each field office. Certain authorities must be reserved for the Country Director or for HQ. These authorities are detailed in the Field Finance Manual, Section 2.5.2. All other authorities may be assigned at the Country Director's discretion.

It is critical that an employee be informed of their level of approval authority when employment begins and when changes are made to the Authority Matrix. The employee's supervisor should convey this information, with the ultimate responsibility for informing employees resting with the Country Director.

Finance Manager - The Finance Manager, supported by the Country Director, has responsibility for enforcing approval authority. Requests should not be signed nor payments made until the proper authority has been secured and discrepancies resolved.

Related Items

(Appendix IV.1)

[Approval Authority Matrix](#)
[Field Finance Manual, Section 2.5](#)

5.3 Accountability for Approval

It is important that Mercy Corps employees with approval authority understand the responsibilities that are associated with signing purchasing documents. Approvers should take the time to carefully review the documentation and should return documents which do not follow established policies or procedures.

By signing the purchase request, the Approving Manager accepts responsibility that:

- The expenditure is necessary and appropriate.
- The item is not currently in stock.
- The technical specifications are correct and adequately detailed.
- The required forms are complete.
- Funds are available to cover the cost of the intended purchase.
- The expenditure is in compliance with any guidelines stated in the grant agreement.

By signing for financial review, the Finance Manager or designee accepts responsibility that:

- The expenditure is in compliance with Mercy Corps and donor policies.
- The expense has been authorized according to the Approval Authority Matrix.
- The expenditure is within budget guidelines.
- The expense has been coded correctly.
- The calculations are correct.
- The required supporting documentation is in order.

Related Items[Field Finance Manual, Section 2.5](#)**6 PROCEDURES FOR PROCUREMENT OF GOODS****6.1 Definition of goods**

The term “Goods” in this manual will be used for merchandise, supplies and commodities that will be purchased by Mercy Corps for later use through the procurement process described below.

6.2 How to Initiate a Purchase

All procurement will be made following sound purchasing practices regardless of the purchase cost. Procedures and documentary requirements become more stringent as purchase costs increase.

Small value purchases

Up to the estimated value of USD 100, the Procurement Staff – or in extraordinary circumstances – Administration or Program staff can obtain an operational cash advance for making small value purchases directly or through the Procurement Department. Country Directors may reduce, but not increase the threshold for these types of purchases.

Procedure:

Where Admin/Program Staff are authorized to make direct purchases:

- Standard Finance Department policies and procedures apply.

When the purchase is made by the Procurement Department on behalf of a program:

- Based on a Purchase Request, obtain cash from the Finance department and reconcile the purchase against a Field or vendor receipt. Standard Finance Department policies and procedures apply.

Regular purchases

Purchases with an estimated value of USD 101 or more are initiated by submitting a completed Purchase Request Form to the Procurement Department.

Requesting Officers (Originators) have a responsibility to:

- Furnish the Procurement Department with all information and specifications necessary to make a correct purchase.
- Ensure the Purchase Requests include full budget and account information.
- State an estimated price for the request (based on prior knowledge, a quotation or a budgeted amount).
- Ensure that Purchase Requests are fully reviewed and approved by the relevant managers.

Before any request can be executed, it must undergo the following process:

- If in doubt of technical details for requested goods, consultation with suitably qualified staff.
- Requirement and technical review by the Project (or suitably qualified) Manager.
- Financial review by the Finance Manager.
- Approval by the Project Manager or the next level of approval authority depending on the estimated value of the commitment. NOTE that a PR cannot be approved if there is no estimated price.

The onus is on the staff member initiating the Purchase Request to generate a PR that has all the required information and has been reviewed and approved.

A complete and approved PR constitutes the authority for Procurement to begin the procurement process. Therefore, incomplete PR's will be returned to the originating staff member.

The various procedural steps for different expenditure levels are explained in the process chart below.

6.3 *Assembling a Purchase Request*

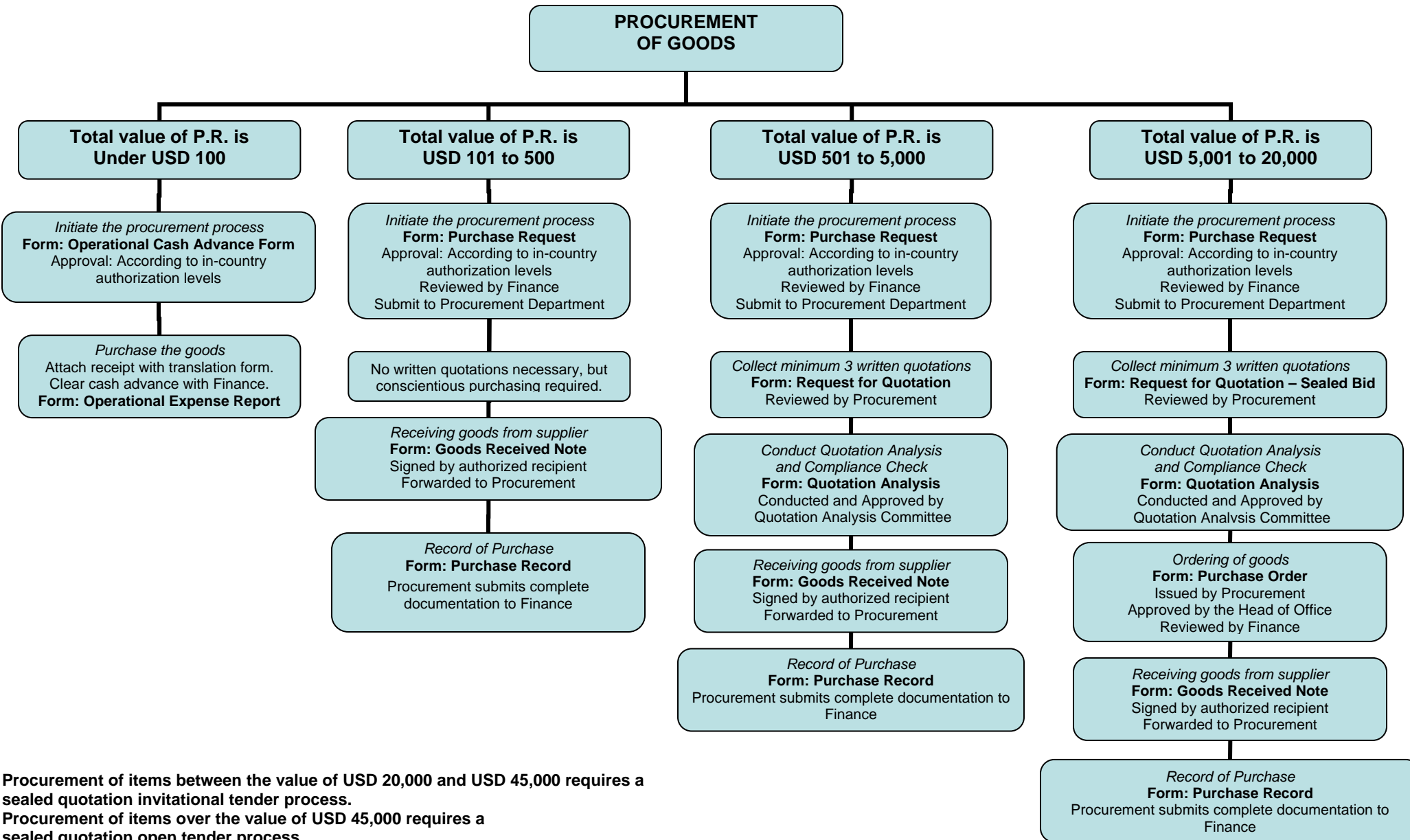
Since the Purchase Request initiates the procurement process and may define procedures based on its value, it is important to carefully consider the contents and scope of the PR. The following guidelines must be followed when filling out a Purchase Request:

- PRs should generally include only items that will be coded to a single accounting code and cost center, as defined by the coded project budget. Project goods or materials to be charged to separate grants should not be mixed on the same PR since donor requirements and approval authorities may vary. Exceptions may be made for administrative items which will be allocated over multiple cost centers, such as general office supplies, and which can be approved by a common authority, such as an office manager.
- PRs should include only related items that are likely to be purchased from the same or similar vendors. Unrelated items that will require separate requests for quotation should not be included on the same PR. (For example, a can of tuna, a computer and a ton of bricks should **not** be submitted in the same PR.)
- Purchases for specific projects where the materials may be sourced together as a kit or unit (for example, medical supplies or construction materials) may not be broken down into smaller quantities and submitted on separate PRs to avoid procurement procedures or approval authorities.

6.4 *Procedure descriptions based on expenditure levels*

See the Procurement of Goods Process Chart on the next page. (Page 14)

Deviation from these procedures: [See Chapter 12, Special Circumstances](#)



Procurement of items between the value of USD 20,000 and USD 45,000 requires a sealed quotation invitational tender process.

Procurement of items over the value of USD 45,000 requires a sealed quotation open tender process.

For vehicles and radio communications equipment PR-s over the value of USD 45,000, sealed quotation by invitation is acceptable.

Exceptions to the above are purchases from preferred suppliers. (See Mercy Corps Procurement Manual Chapter 10)

It is strongly recommended to respect the thresholds above. Raising these thresholds require the written approval of the Senior Vice president of Program and the C.F.O. (For details see Mercy Corps Procurement Manual Chapter 12 – SPECIAL CIRCUMSTANCES)

6.5 Documenting the procurement of goods

All procurement activities must be fully and transparently documented. This is the sole process used by Mercy Corps to manage its procurement processes and demonstrate to donors that funds are being responsibly committed. A completed purchase must be supported with a fully cross-referenced “stand alone” file. Documentation must be completed fully and accurately in every case. Any anomalies or deviation from policy or procedure in a purchase must be documented with a signed (at minimum, by the Procurement Manager) explanatory “note to the file”. Full supporting documentation must answer any question that an auditor or external examiner may pose, without the necessity to refer to Procurement or Finance staff for explanation.

The Mercy Corps procurement forms mirror each step of the procurement process and if employed correctly will allow effective management and transparent documentation of procurement activities.

6.5.1 MERCY CORPS PROCUREMENT FORMS:

The use of the following forms will be explained in this section:

- [Request for Operational Cash Advance](#) – for small scale procurement, below the value of \$50
- [Operational Expense Report](#) – For clearing the cash advance for above purchases
- [Purchase Request Form](#) – This form will be used for initiating all purchases above the value of \$50
- [Request for Quotation Form](#) – Provides a standard method to collect quotes from vendors above the value of \$250
- [Quotation Analysis Form](#) – Documents the vendor selection process
- [Purchase Order](#) – Will provide a legally binding documentation of purchases above the value of \$250
- [Goods Received Note](#) – The delivered items will be recorded on this form
- [Purchase Record](#) – Summarizes the paperwork involved with each purchase above the value of \$50

6.5.1.1 Request for Operational Cash Advance

Purpose:

When requesting operational advances, **Field Finance Manual Form 3.3A, Request for Operational Cash Advance** should be completed, approved by the employee’s supervisor and submitted to the Finance Office. Advance amounts exceeding the supervisor’s expenditure approval authority should also be approved by the next level of authority. The lower portion of the form should be completed when the cash is disbursed by the Finance Office to the individual.

Completed by: Authorized Mercy Corps staff member

Approved and reviewed by: Originator’s Program Manager
or next level of authorization based on the approval authority
Finance Manager

Format: It should be produced in carbonized multi-part bloc form, sequentially numbered and each set comprising an original with two copies.

This form is maintained by, and available from the Finance Department.

Filing: Copy 1 to Finance; Copy 2 to Originator; Copy 3 to Finance for matching with Operational Expense Report

Related Items

[Field Finance Manual, Form 3.3A](#)

6.5.1.2 Operational Expense Report

Purpose:

Operational advances should be cleared using **Field Finance Manual Form 3.3B, Operational Expense Report**. All expenses should be listed on the form and supporting receipts and invoices should be attached. The form must be approved by the employee’s supervisor and next level of authority, if required, and submitted to the Finance Office.

Completed by: Authorized Mercy Corps staff member

Approved and reviewed by: Originator's Program Manager
or next level of authorization based on the approval authority
Finance Manager

Format: This form is maintained by and available from the Finance Department.

Filing: Original to Finance

Related Items

[Field Finance Manual, Form 3.3B](#)

6.5.1.3 Purchase Request

Purpose:

The Purchase Request (PR) is the internal mechanism used by Mercy Corps to document:

- The nature of required materials or services.
- The financial codes covering the purchase.
- The maximum commitment for the purchase.
- The review and approval process.

The completed and approved PR is the authorization for Procurement to initiate the purchasing process.

Completed by: Any Mercy Corps staff member

Approved and reviewed by:

ALWAYS: Originator's Program Manager
Finance Manager

Depending on the estimated value of the PR:

Approval according to the current Approval Authority Matrix provided by the Finance Department

Format:

It should be produced in carbonized multi-part bloc form, sequentially numbered and each set comprising an original with two copies. The PR can be completed manually or on a computer and printed on a dot matrix printer.

The electronic version of this form is part of the MC Procurement Data Management System. ([See Chapter 7](#))

Filing: White (Original) copy to Finance, Yellow to Procurement, Green to Originator

INSTRUCTIONS:

The instructions below will guide the reader section by section, through the correct completion of a Purchase Request Form. These directions will not state the obvious for fields like the request date, quantity, unit etc.

Assign a location code that will be placed front of the pre-printed serial number. The location code is a 3-letter acronym of the area of responsibilities (AOR) from where the PR is originated.

Examples are: PDX – Portland
MNR – Monrovia
KKT – Kakata

The **Delivery Address** should state the address where the supplier should deliver the goods. Normally it is the warehouse of the AOR office or the office itself. This will ensure proper receiving procedures. In exceptional cases when the materials will be delivered directly to the project site, the program manager is responsible to assign a staff member who is trained on receiving procedures to accept the delivery. **Programs often write the final destination address (e.g. Elementary School in village X) as the delivery address – this should be avoided. This information can be recorded in the Project Reference

section (e.g. Construction Materials for Elementary School construction in village X)

Special Instructions

This section can be used to communicate specific requests to the suppliers (e.g. color, packaging, cold chain transport etc.) or to direct attention to compliance issues like source and origin etc.

Project Reference

This section should give a summary description of the purpose of the procurement action that is requested. The basic rule is to describe what the materials on the PR are, and how and where they are to be used. If the expense to be requested is budgeted or unbudgeted, check the appropriate box.

Direct program expense

These are goods that will be used for direct program implementation (e.g. construction materials, schoolbooks or water testing kits). Generally these are items that are budgeted under the program materials budget line.

Capital expense

Indicate goods that are budgeted specifically as capital assets. Since the definition of capital assets varies by donor it is advisable to consult with the Project Manager and Finance Officer at the beginning of the implementation of the grant.

Operating expense

Indicate goods to be used during the general function of operations (e.g. office supply, vehicle consumables, materials for office maintenance etc.)

Required Date

The originator of the PR indicates the date when the requested goods should arrive to the *delivery address*. This date can carry significance toward the end of grants. Items have to be received and distributed to the beneficiaries before the official end date of the grant. As the delivery address is usually the warehouse or the AOR office, program personnel should plan the purchase keeping in mind the time for soliciting quotes, ordering the goods, delivery time PLUS time for programmatic distribution after receiving the articles.

Account Code, Sub-Code and Cost Center

xxxx -xx- xxx

This finance code will guide the allocation of funds when recording and documenting purchases. During the Review / Approval process the Program Manager will be able to determine at least the Cost Center and the Sub Code based on the coded grant budget. During the Financial review the Finance Officer will cross-reference the codes and determine if they were used properly as well as the availability of funds for the estimated amount. For direct program expense and capital expense do not issue a PR for more than one Cost Center and Account Code. This will facilitate the management of procurement data. If the goods will be charged from operational expenses (e.g. office supplies, vehicle consumables etc.), the Head of Office in consultation with the Finance Officer will determine the finance coding since these expenses may be allocated over multiple grants.

Preferred Supplier

If the Originator is aware of a preferred supplier agreement between Mercy Corps and a vendor from where the goods can be purchased indicate it in this section. (See chapter 10 for the description of preferred suppliers.)

Suggested Purchaser

In some complicated cases it makes sense to refer to a procurement officer who is familiar with the specifics of the requested goods. The originator or the review/approval personnel can indicate the name of that person in this section.

Description

It should be brief, but specific. What is obvious to the requesting staff member may not be obvious to a supplier or to procurement personnel. Do not assume complete product knowledge. Incomplete or unclear specifications will delay the procurement process. Additionally, lack of clear specifications for even the simplest item may result in the wrong materials being supplied. For example, take a request for “pens”. Opening any office supply catalog will reveal upward on 300 “pens” ranging from simple non-retractable ballpoints to specialized drawing and calligraphy pens through every imaginable color and price! A more practical request would perhaps be “50x simple red ink, non-retractable ballpoint pens”. In the “Notes” section additional information can be specified; for example “low cost of primary consideration.”

For spare parts or equipment accessories, state the manufacturer and the manufacturer’s reference. If the reference is not available provide drawings of the required part(s), a full description and if necessary, its function. Consider also sending a sample.

Products may also be defined by established commercial or industrial standards, technical characteristics and / or expected performance.

Specifications must not be unduly restrictive. With the exception of spares, accessories or proprietary patents, brand names should be avoided. If a brand name is used, it must be qualified with “or equivalent” and the specific required feature identified.

Besides identifying the product, specifications will include:

- Quantity and Unit.
- Desired transport mode. (in Special Instructions or Notes sections)
- Any non-standard documentation requirements. (in Special Instructions or Notes sections)
- Packing and marking requirements. (in Special Instructions or Notes sections)
- Insurance requirements. (in Special Instructions or Notes sections)
- Expected delivery time frame. (in Required Date section)
- Any required inspections. (in Special Instructions or Notes sections)
- Donor Terms and Conditions. (in Special Instructions or Notes sections)

Exchange

The originator can set the currency exchange rate in this section. It is important to know the estimated value of the PR in US Dollar terms for procedural reasons. The estimated value of the PR will indicate the authorization level and determine the need for collecting written quotations.

Procurement

The procurement officer will decide and indicate one of the 3 categories from where the requested goods will be purchased. Namely:

Local

For materials that will be purchased locally at the project site. In certain cases it makes more sense to buy materials from the community far away from the AOR office and the procurement cell. Authorized program personnel (e.g. site engineers) will conduct these purchases but nevertheless they need to follow the appropriate procurement procedures and document them properly.

Central

All purchases that will be processed by the AOR office procurement personnel.

Out of AOR

Purchases that will require the help of another Mercy Corps Office, or if a vendor can not be located within the Area of Responsibility.

Purchase Request Changes

Requests to change an outstanding purchase request concerning quantity, price, or specifications should be made in writing to the Procurement Manager. The original authorizing manager or their supervisor must approve the changes.

Related Items

(Appendix VI.5.1.3a)

[Purchase Request Form Example](#)

(Appendix VI.5.1.3b)

[Purchase Request Form](#)

(Appendix VI.5.1.3c)

[Procurement & Contracting Procedures Training Presentation](#)

(Chapter 5)

[Approval Authority](#)

6.5.1.4 Request for Quotation

Purpose:

Quotation collection methods must be standardised, to ensure efficiency and transparency. The Request for Quotation (RFQ) form ensures that all suppliers receive the same information, ensuring the quotation collection process is transparent. It can also translate the names of items, if completed in both English and local language.

The RFQ will detail all requirements that the supplier must meet for an offer to be evaluated by Mercy Corps. Complete information should be provided including, but not limited to, quantity, description, delivery requirements, special conditions, drawings, specifications, quotation due date, etc.

Completed by the Procurement Officer or Procurement Assistant.

Reviewed by the Procurement Manager after receiving the quotes from the vendors.

Format:

As the number of RFQs issued will vary for the type or availability of the requested item / service, the RFQ is best generated directly from the computer. The form will be tracked by the PR number that is referenced on the upper right section. The electronic version of this form is part of the MC Procurement Data Management System.

Filing: The original RFQs will be submitted to the Finance Department as part of the complete supporting documentation after the Quotation Analysis is completed. The Procurement department will keep a photocopy for its files.

INSTRUCTIONS:

The instructions below will guide the reader, section by section, through the correct completion of a Request for Quotation Form. These directions will not state the obvious for fields like the request date, quantity, unit etc.

The same information will appear on the form as in the Purchase Request regarding “Quantity”, “Unit”, “Description”, Finance Codes, “Project Reference”, “Delivery Address”, “Mercy Corps Contact”, Currency and PR number. In the linked electronic version these will automatically appear due to the linkage with the PR. The Procurement staff will need to fill out the “Date” and the “Name of Suppliers” sections. If space allows, translate the item descriptions into the local language. If there is not enough space, a separate translated version must be generated.

Supplier offers accepted for evaluation must contain at a minimum:

- Supplier Name
- Supplier address and contact information
- A quoted price
- The date of the quotation
- The validity period of the quotation
- Indication of source and origin
- The name, title and contact information of the individual issuing the quotation
- Official stamp of supplier
- Date of delivery

It is acceptable to attach additional information if the supplier feels it is necessary. However, the RFQ should always serve as a cover page for the various offers with an official signature and stamp. In electronic communications the RFQ s should be submitted by fax.

Related Items

(Appendix VI.5.1.4a)

[Request for Quotation Example](#)

(Appendix VI.5.1.4b)

[Request for Quotation](#)

(Appendix VI.5.1.3c)

[Procurement & Contracting Procedures Training Presentation](#)

6.5.1.5 Quotation Analysis

Purpose:

The Quotation Analysis is the document used to summarize and compare supplier offers. It also documents and details justification of the selection of a given supplier.

Completed by the Procurement Manager.

Approved by the Quotation Analysis Committee. It is composed by officers from the Procurement Department, The Manager of the Originator’s Program and an approval authority; depending on the value of the purchase this can be a Senior Program Manager, the Head of Office or the Country Director.

Format: The Quotation Analysis is best generated directly from the computer. The electronic version of this form is part of the MC Procurement Data Management System.

Filing: The original Quotation Analysis will be submitted to the Finance Department as part of the complete supporting documentation. The Procurement Department will keep a photocopy for its files.

INSTRUCTIONS:

The form is self-explanatory; the information recorded for various vendors will be based on their respective completed Request for Quotations. A lengthier justification can be included on an attached sheet, if needed. The "Estimate Accuracy" field is based on a formula that compares the Quoted Value with the Estimated Value expressed in percentage. This data will provide an idea to the originators on their understanding of the market situation.

Compliance check of selected vendors:

As part of the Quotation Analysis for purchases over the value of USD 5,000 the selected vendor should be entered into the Eligibility and Compliance Database (WORLD TRACKER) and print out the Names Match Report. It is a new donor requirement to include this report with the Quotation Analysis for procurement of goods and services. Please make sure that you attach this report to the Quotation Analysis every time when above criteria exist, regardless of the result.

In the event of positive match, the vendor CAN NOT be chosen for procurement / contracting activities.

In such a case, include this information in the justification section of the Quotation Analysis as well as attaching a copy of the report.

Related Items

(Appendix VI.5.1.5a) [Quotation Analysis Example](#)
 (Appendix VI.5.1.5b) [Quotation Analysis](#)
 (Appendix VI.5.1.3c) [Procurement & Contracting Procedures Training Presentation](#)
 (Chapter 4) [Vendor Selection](#)

6.5.1.6 Purchase Order**Purpose:**

The Purchase Order is the document confirming all details of a purchase to be made from a supplier and once accepted by the supplier, represents a legal commitment between Mercy Corps and the supplier.

Completed by: The Procurement Manager or Officer

Approved by: The Head of Office or the Country Director, depending on the value of the purchase

Reviewed by: The Finance Manager or Officer

Accepted by: The Vendor

Format

It should be produced in carbonized multi-part bloc form, sequentially numbered and each set comprising an original with two copies. The PO can be completed manually or on a computer and printed on a dot matrix printer. The electronic version of this form is part of the MC Procurement Data Management System.

Filing: White (Original) to Finance Department, Pink to Vendor, Yellow to Procurement

INSTRUCTIONS:

The same information will appear on the form as in the winning supplier's Request for Quotation regarding "Quantity", "Unit", "Description", Finance Codes, "Special Instructions", "Project Reference", "Delivery Address", "Mercy Corps contact", Currency and PR number. In the linked electronic version these will automatically appear due to the linkage with the RFQ. Begin completing the PO by assigning a location code that will be placed in front of the pre-printed serial number. Please provide the official address of the AOR office from where the PO is issued in the "Issued By" section. The contact person should be the Procurement Officer handling the purchase. The delivery date will be based on the delivery schedule indicated on the winning quotation. If the expected delivery date is after the required date indicated by the Originator on the Purchase Request, the Procurement Officer must consult with the originator. **This issue can carry serious implications especially close to the end dates of grants.

In the “Shipping Terms” section the Procurement Officer should indicate the agreed term of the delivery. If the terms were not otherwise agreed upon during the quotation request, C.I.F. parity will be contracted. Procurement staff should become familiar with the latest edition of “INCOTERMS” to avoid misunderstandings with suppliers. (see the separate section below on INCOTERMS). Enter the unit cost and the extended (units X unit cost) cost from the winning quotation. The official Mercy Corps exchange rate should be entered at the time of issuance. This could be different from the exchange rate indicated on the PR, since usually, considerable time has passed from the date of Purchase Request to the date of issuing the Purchase Order. The Procurement Officer should explain to the vendor the Conditions of Purchase, which are printed in both English and local language on the back of the PO. The Vendor should read and understand the Conditions of Purchase and if in agreement, should sign and stamp the PO. This will officially certify the agreement between the Vendor and Mercy Corps, forming a legally bonding agreement. If a personal contact can not be arranged, the procedure should be conducted through fax.

INCOTERMS:

INCOTERMS is the acronym for International Commercial Terms of Delivery. First introduced in 1936 by the International Chamber of Commerce, the terms give a uniform set of guidelines for the interpretation of buyers and sellers obligations under three main headings,

- Precise place of delivery.
- The division of cost.
- The point at which the (insurance) risk passes from the seller to the buyer.

INCOTERMS also identify which party is responsible for export documentation under each term. By stating INCOTERMS 2000 (the latest revision) the buyer undertakes to observe the rules governing the quoted term and expects the seller to do likewise. Certain INCOTERMS are only applicable to particular transport modes.

****Mercy Corps Procurement staff must not use INCOTERMS unless they are fully conversant with the meaning and ramifications of the quoted term.**

Purchase Order Changes:

If an order has already been placed, Procurement will discuss the required changes with the supplier. Mercy Corps may be liable for any irrecoverable costs incurred by the supplier in changing the original order. Any such additional costs will be referred back to the requesting officer before the changes are confirmed to the supplier. Under no circumstances will the requesting member of staff contact the supplier directly.

Purchase Order Cancellation:

Requests for cancellation of an outstanding purchase order will be made in writing to the Procurement Manager. Requests for cancellation should include:

- the Purchase Request number
- the reason for the cancellation

Procurement will give the supplier an official order cancellation verbally, or in writing. If a vendor has begun production or has secured for delivery an article that the vendor is unlikely to sell within the vendor’s normal scope of business, or if the vendor has incurred costs in preparation for production, the requesting program may be liable for such costs as the vendor may incur because of this cancellation. These costs may include payment for custom-made parts or products already completed before cancellation or restocking charges incurred for returnable goods.

Related Items

- (Appendix VI.5.1.6a) [Purchase Order Example](#)
- (Appendix VI.5.1.6b) [Purchase Order](#)
- (Appendix VI.5.1.6c) [Conditions of Purchase](#)
- (Appendix VI.5.1.6d) [International Commercial Terms](#)
- (Appendix VI.5.1.3c) [Procurement & Contracting Procedures Training Presentation](#)
- (Chapter 8.2) [Contracts](#)

6.5.1.7 Goods Received Note

AOR offices should designate a person responsible for receipt and documentation of shipments.

Purpose:

To document and confirm receipt of materials from a vendor. To assign a tracking number to supplier documentation.

Issued by:

The authorized receiving officer. Normally it is the Warehouse Manager or his/her designee, but in smaller operations it could be another employee who has been assigned this task.

Reviewed by: The Warehouse Manager or the Procurement Officer.

Approved by:

The Originator of the purchase, or his/her designee. The Receiving Officer should notify the Originator once the delivery arrives to make a technical inspection of the goods. It is stipulated in The Conditions of Purchase that the acceptance of the delivery will be decided by the Originator. In cases where the goods are not accepted, Mercy Corps reserves the right to return the goods to the Vendor within 3 days after delivery.

Format:

The GRN should be produced in carbonized multi-part block form, sequentially numbered and each set comprising an original with three copies. The GRN can be completed manually or on a computer and printed on a dot matrix printer. The electronic version of this form is part of the MC Procurement Data Management System.

Filing: White (Original) to Finance Department, Pink to Vendor, Yellow to Procurement, Blue to Warehouse

INSTRUCTIONS:

The same information will appear on the form as in Purchase Order regarding “Quantity”, “Unit”, “Description”, Finance Codes, “Special Instructions”, “Project Reference”, “Delivery Address”, PR and PO number. In the linked electronic version these will automatically appear due to the linkage with the Purchase Order. Complete the GRN by assigning a location code that will be placed in front of the pre-printed serial number. Check the appropriate boxes in the upper section of the form, regarding the delivery, stock status, materials category and supporting documentation sections. Note the quantity of the received goods. In the remarks section note any discrepancies. Ensure the vendor’s representative (the truck driver or the person who delivers the goods) signs the GRN in the appropriate section. The authorized receiving officer and the originator should endorse the form after completion of the receiving procedures.

Note: One purchase order can result in more than one GRN. The receiving officer should keep track of incomplete orders.

Related Items

- (Appendix VI.5.1.7a) [Goods Received Note Example](#)
- (Appendix VI.5.1.7b) [Goods Received Note](#)
- (Appendix VI.5.1.3c) [Procurement & Contracting Procedures Training Presentation](#)
- (Chapter IX) [Receiving, rejections and claims](#)

6.5.1.8 Purchase Record

Purpose: To provide a complete record of all procurement transactions in a fully cross-referenced stand alone file.

Issued by: The Procurement Department

Reviewed by: The Procurement Manager

Format: The Purchase Record is best generated directly from a computer. The electronic version of this form is part of the MC Procurement Data Management System.

Filing: Copy 1 to the Finance Department, Copy 2 to Procurement, Copy 3 to the Originator

INSTRUCTIONS:

This form will be completed using information from all the previous forms used during the procurement process. Data will be linked and recorded in the appropriate sections of the forms automatically. It is highly recommended to use the linked electronic version of the procurement forms for precisely this reason. In the linked forms the data will automatically appear in the forms of the following procurement process steps. This will create an almost complete automatic compilation of data in the Purchase Record. Only the Payment Voucher number and the Invoice numbers will have to be entered manually, as these will be provided by the Finance Department.

Related Items

- (Appendix VI.5.1.8a) [Purchase Record Example](#)
- (Appendix VI.5.1.8b) [Purchase Record](#)
- (Appendix VI.5.1.3c) [Procurement & Contracting Procedures Training Presentation](#)

6.6 Modifications to Mercy Corps Standard Forms

Mercy Corps standard forms may be modified by Country Offices to meet local requirements such as language or information specific to a program.

Any modifications must respect the basic format and minimum information requirements of the standard form. Should there be any doubt as to the compliance of a revised form, contact the Director of Procurement, Administration and Logistics Management (PALM) at the agency headquarters before printing or introducing the form for use. Because of the complexity of the programming code of the system, modifications to the linked electronic forms are not advised at this stage. Suggestions regarding electronic form modifications should be forwarded to the PALM at PDX HQ.

7 ELECTRONIC PROCUREMENT DATA MANAGEMENT SYSTEM

Mercy Corps has developed a computerized system to address the needs of reliable, user-friendly and transparent procurement record-keeping of the procurement of goods. The intent of this system is to create a simple process that is easy to use, and accomplishes more, with less time and effort. MS-Excel has been selected as the software application for this system because it is user-friendly, most are familiar with Excel and it can easily be used to produce electronic forms which look exactly like actual procurement forms. These forms can be printed out on pre numbered carbonized forms with a regular LaserJet printer allowing the user to easily create the paperwork during the process. Each carbon copy will have actual signature matches. This application has the features of a database and offers the ability to upload the data to an actual database by putting the data in a list format.

Structure of the System:

This system is comprised of three different Excel workbooks. For a better explanation of each and its purpose refer to the table below:

Workbook Name	Purpose
Linked Procurement Forms	It includes all the necessary sheets for placing a Purchase Request i.e. Purchase Request, Request for Quotation, Quotation Analysis, Purchase Order, Goods Received Note and Purchase Record sheets. Due to the linkage between the forms any data will have to be entered only once throughout the procurement cycle.
PR Masterlist	This workbook saves the data of all of the completed Purchase Requests in a list format. Purchases can be viewed in a summary table or each purchase in detail at a touch of a button.
Ongoing PR Masterlist	This workbook keeps the data of all of the Ongoing Purchase Requests in a list format. The worksheet can be used for cash projection and/or procurement reports on ongoing activities.

Advantages of the Mercy Corps Procurement Data Management System:

- Linked Procurement Forms
- Automatic compilation of all procurement data
- Easy to report on ongoing and completed purchases
- Compiled data is available for other databases (*Finance, Inventory etc.*)
- Database capacity up to 65,500 purchases

For detailed instruction on the use of the system please see Appendix VII.5 – Users Guide for the Mercy Corps Procurement Data Management system,

Related Items

- (Appendix VII.1) [Linked Procurement Forms Example](#)
- (Appendix VII.2) [Purchase Request Form \(Linked\)](#)
- (Appendix VII.3) [Completed Purchase Record Master List](#)
- (Appendix VII.4) [Ongoing Purchase Record Master List](#)
- (Appendix VII.5) [Users Guide for the Mercy Corps Procurement Data Management System](#)
- (Appendix VI.5.1.3c) [Procurement & Contracting Procedures Training Presentation](#)

8 TENDERING AND CONTRACTING PROCEDURES

8.1 Tendering

8.1.1 Types of Bid Solicitation

Supplier bids or quotations may be solicited in a number of ways depending on the type and value of the intended purchase and the time frame available to make a purchase.

- Open** Invitation to all interested suppliers, invitation published in appropriate national or international publications or trade journals. Low bid or Value for Money (VFM) offer accepted. Used for procurement of goods with a value exceeding \$45,000 or contracting of services above the value of \$45,000. Donor thresholds may reduce these numbers. Will generally yield better pricing than Invitational bidding but requires a lot of time and preparation. Specific exception to this rule is the purchasing of radio communications equipment and specialty vehicles, where a sealed quotation invitational tender process is acceptable over the value of \$45,000 if there is no preferred supplier agreement in place.
- Invitational** (or Restricted) Known suppliers contacted (based on past performance quality and related factors), low bid or VFM offer accepted. Along with negotiated procurement, this is the most commonly used for large-volume purchases. Generally yields reasonable price offers, though it does take time for preparation and delivery and involves a moderate amount of work.
- Negotiated** A small number of potential vendors are approached and specific price or service arrangements are directly negotiated. This method is most applicable to low-volume or emergency purchases. Prices may be less favorable though delivery times should be short.
- Direct** The simplest but usually the most expensive procurement method. Items are purchased from a single supplier at the quoted price. This should only be applicable to emergency purchases. Pricing may be unfavorable but delivery times will be short and the workload involved will be low.
- Sealed Bid** Used to preserve the integrity and fairness of supplier selection; will be used for all invitations for purchases over \$20,000 for procurement of goods and for all contracting of services above the value of \$5,000.

In all methods, tender documentation and the conduct of procurement staff must be transparent. Any perception of unfair or corrupt practices may well discourage reputable suppliers with the effect that Mercy Corps may not receive the best products or prices.

Commercial organizations often meet new supply requirements with open tenders and from this experience develop pre-qualified suppliers for a system of invitational tenders.

8.1.2 Methods of Inviting Suppliers to Bid

There are three types of documents used to solicit supplier bids.

- [Invitation to Tender \(ITT\)](#) is generally part of a complete tender document and will provide detailed instructions on services to be tendered as well as contact details, meeting arrangements and background information on Mercy Corps.
- [Request for Proposal \(RFP\)](#) Generally used to provide detailed information on the contractual arrangement for a longer duration. An example of use is information gathering for preferred supplier agreements.
- [Request for Quotation \(RFQ\)](#) See detailed description in Chapter 6, section 6.4.1.4

These documents fulfil the same basic purpose in that they all invite potential suppliers to offer specified products or services.

8.1.3 Procedures for Tenders

Tendering, especially open tendering can be a costly, complex and time-consuming process. If not conducted correctly, it wastes time and money and in some situations may even carry legal ramifications.

Mercy Corps will generally use the open tender process for:

- Construction contracts.
- High value purchases.
- Large purchases where Mercy Corps has little or no product or market knowledge.
- Where required to do so by donor specifications.

The following information summarizes the procedure.

Quantify and prepare full specifications for the product or service required, avoiding the use of brand names. Where it is impossible to avoid the use of a brand name, this must be qualified by the words "or equivalent." Specifications must be complete enough for all potential suppliers to respond on an equal basis.

8.1.4 Determine the method of Bid Solicitation

- Open – in-country.
- Open – international.
- Limited or Restricted.

Determine the minimum number of bids to be secured.

If Invitational Tender, identify and select eligible companies. Eligible companies are

- Pre-qualified vendors.
- Last order supplier.
- Competitive suppliers from last RFQ.
- Newly identified suppliers.
- Suppliers identified by the donor.

8.1.5 Prepare a Quotation Analysis Summary

For Sealed Bid procedures, at this stage, each bidder is given a unique reference code, which enables offers to be identified on receipt without being opened.

Decide on a closing date and time for final receipt of offers.

Prepare, collate and forward to the selected suppliers, contract documentation consisting of,

- Letter of Invitation.
- Additional Instructions and Notes for Suppliers.
- Official Form of Offer.
- Terms and Conditions.
- Coded Tender Return Envelope.

During a sealed bid process, envelopes containing the tenders will be mailed to, or physically dropped off at the field offices. Offices should institute a tender register, where the receiving person (generally the receptionist) will record the date and time of receiving the tenders. Each office should set up a lockable tender box where the tenders should be placed after registering in the tender register.

Tenders received after the closing date should be returned unopened to the respective supplier. In circumstances where the fault or delay is not attributable to the supplier, the bid may be accepted and the reasons recorded. This also applies to any offers opened in error prior to the closing date.

Appoint a Tender Panel of at least 3 people to oversee and witness the tender openings and record the details on the Quotation Analysis Form for invitational tenders and the Tender Opening Summary form for open tenders. The panel will generally include the Procurement Manager, the Program Manager of the originator's program and the Head of Office or designee.

Compliance check of selected vendors:

As part of the Quotation Analysis for contracts over the value of USD 5,000 the selected vendor should be entered into the Eligibility and Compliance Database (WORLD TRACKER) and print out the Names Match Report. It is a new donor requirement to include this report with the Quotation Analysis for procurement of goods and services.

Please make sure that you attach this report to the Quotation Analysis every time when above criteria exist, regardless of the result.

For a Quotation Analysis for tenders, the following information should be included from the tender documentation:

- a. From the Qualification Summary Form: Name of Company, Address, City-Town and the names of the Board members and executive management.
- b. From the bank Guarantee form: Name of Bank
Address
City
Country

In the event of positive match, the vendor CAN NOT be chosen for procurement / contracting activities.

In such a case, include this information in the justification section of the Quotation Analysis as well as attaching a copy of the report.

Following evaluation of Tenders, a Letter of Acceptance and a Mercy Corps Purchase Order or contract is issued to the successful supplier. In cases where best VFM is being obtained through acceptance of an offer which is not the lowest, the reasons must be agreed by the Tender Panel and documented.

Letters of declination should be sent to the unsuccessful bidders. For future tendering purposes it is good practice and of benefit to the supplier to provide reasons why their bid failed. This should be done without breaching commercial confidentiality.

Mercy Corps Terms and Conditions should always be used in orders or contracts for the supply of goods or services. This is achieved through the processes of inviting Tenders or issuing Requests for Quotations.

Should goods or services be purchased on the Supplier's terms, these must be fully understood before signature. Once signed, both parties are bound by Conditions that are legally enforceable and extreme caution is necessary.

The mentioned forms and templates are included in the sample tender template attached in Appendix VIII.1.

Related Items

(Appendix VIII.1) [Tender Document Template](#)

8.2 Contracts

A “contract” may take the form of a verbal agreement, or a document that details every aspect of an agreement. While verbal agreements may be legal, they are very difficult to enforce and prove; for this reason **Mercy Corps will work only with written contracts**. For the most part, a Mercy Corps Purchase Order in conjunction with Mercy Corps Terms and Conditions provides adequate documentation for standard or routine purchases.

8.2.1 Mercy Corps Service Contract

For low value engagement of services in most cases a simple multi purpose Mercy Corps Service Contract will provide adequate documentation for contracted transactions. This form can be used for a wide variety of activities ranging from hiring daily laborers, simple vehicle repairs to a one-time vehicle lease. The ceiling for this type of contract is \$5,000.

Completed by: Minimum Project Manager level Mercy Corps staff.

Approved and reviewed by:

ALWAYS: Originator’s Program Manager
Finance Manager

Depending on the value of the contract:

Approval according to the current country Authorization Schedule provided by the Finance Department. You must consult MC HQ legal counsel for all contracts above the value of \$250,000.

Format

This form is best generated using a computer. Photocopied blank form templates should be available for use in each office. The translation of the form to local language should be provided on the back of the contract.

Filing: (Original) copy to Finance, Copy 1 to the Service Provider, copy 2 to the Program files, Copy 4 to Logistics

INSTRUCTIONS

The form is self-explanatory, with the exception of the numbering protocol. If there are no pre-numbered copies available, it is advisable that each program will start their own numbering, noting the Location Code, the Cost Center of the program from where the funds will be allocated for the service, and a sequential number for each contract within the program. (See the numbering detail of a sample Service Contract in Appendix VIII.2b)

Related Items

(Appendix VIII.2a)

[Service Contract Template](#)

(Appendix VIII.2b)

[Service Contract Example](#)

Mercy Corps contracts

Situations that require a “full contract” to be drawn up:

- In simple terms a full contract will be drawn up when payments, delivery or guarantees are to be made/provided in whole or in instalments in the future. There should be a contract if at any point in a transaction either or both of the parties are vulnerable to loss should the agreement not be met.
- When a simple PO or Service Contract does not physically facilitate full documentation of the agreement.
- When non-standard Mercy Corps terms and conditions are agreed to.
- When the purchase value is greater than \$5,000 for procurement of services.

Contracts also serve as evidence to Mercy Corps, donors, and auditors that all reasonable precautions have been taken to safeguard funds. The contract documents the elements of the agreement and is the basis of any recourse to law in the event of a dispute. It is clear that care must be taken when drawing up a contract of any sort. Any omission, inconsistency or ambiguity in a contract may render it useless should it be presented to a court of law.

Parties Involved

Establish carefully and beyond doubt, the identification of the parties to the contract.

Clarity

All elements of a contract must be clearly defined - assume nothing. What is obvious to you may not be obvious to someone else and the contract should not be open to interpretation. For example, avoid phrases like “reasonable expectation” or “normal wear and tear” when operating in a culture or legal system with which you are not familiar. Be precise regarding the process and jurisdiction for resolution of disputes arising from the contract. If a contract is written up in more than one language, establish which language will be considered binding. Mercy Corps prefers English as an officially binding language of all contracts. Donor specifications could overrule this preference.

Quantities

Be accurate and use units of measure that cannot be confused. For example an order of 500 bags of cement should read 500 bags x 50 kg. Cement is normally packed in 50-kg bags but not always.

Quality and Specifications

There must be no doubt as to the quality you want, for example, specify “#1 Portland Grade” cement.

Delivery Arrangements

State when the goods must be ready. Whether they are to be delivered or collected. State who will provide the labor and at whose cost. If there will be several shipments, draw up the schedule.

Terms of Payment

Choices may include: total contract value, advance payments, instalment payments, and final payments. State where and when payments are to be made in what form and to whom. State who is responsible for bank or legal charges, taxes and duties.

If advance payments or instalment payments are made to a supplier, every effort to minimize Mercy Corps' exposure to risk must be made. For example, if a builder is contracted for a project, the maximum advance payment (mobilization fee) should be in the area of 5-25 % of the contract value i.e. the minimum to get the project started. Any payments prior to completion of the contract should not exceed the value of work already completed and final payment should be withheld until the Mercy Corps representative is wholly satisfied with the work.

Penalty Clauses

If a penalty clause is included in a contract, ensure that it is clear and precise. Similar to the contract, ambiguity may make it impossible to invoke a penalty clause. A penalty clause must also be realistic and enforceable. Transactions requiring contracts will involve some degree of trust by all parties involved. You should include a local attorney for legal reviews of every contract above the value of \$5,000. If you have any doubts concerning any element of a contract, seek legal advice from Mercy Corps counsel before committing Mercy Corps to the contract. You must consult MC HQ legal counsel for all contracts above the value of \$250,000.

– Should you not trust a supplier, DO NOT ENTER INTO AN AGREEMENT, contract or not –

Related Items

(Appendix VIII.2c) [Purchasing Contract Template](#)

8.2.2 Construction Contracts

Construction contracts over \$5,000 are subject to contractor selection based on a sealed bid process. This level should be further reduced if there is any need to demonstrate fair and competitive practice on the part of Mercy Corps. Because of the many requirements and associated risks of construction, construction contracts are among the more difficult of contracts to draw up.

A typical contract may consist of the following documentation,

- Letter of Award.
- Contractual Agreement.
- Terms and Conditions of the contract.
- Technical drawings and specifications.

- Bill of Quantities and prices.

The Terms and Conditions of the contract will generally be very specific. The following clauses included in a Mercy Corps sample contract illustrate the required scope of terms and conditions:

- | | |
|---|--|
| <input type="checkbox"/> <i>Type and language of the contract.</i> | <input type="checkbox"/> <i>Legal relationships</i> |
| <input type="checkbox"/> <i>Duties and powers of the employers' representative.</i> | <input type="checkbox"/> <i>Sub-Contracting.</i> |
| <input type="checkbox"/> <i>Obligations and responsibilities of the contractor.</i> | <input type="checkbox"/> <i>Communication.</i> |
| <input type="checkbox"/> <i>Performance bank guarantee.</i> | <input type="checkbox"/> <i>Injury, damage and insurance.</i> |
| <input type="checkbox"/> <i>Compliance with laws, regulations, etc.</i> | <input type="checkbox"/> <i>Site inspection.</i> |
| <input type="checkbox"/> <i>Possession of site.</i> | <input type="checkbox"/> <i>Temporary works and utilities.</i> |
| <input type="checkbox"/> <i>Program of work and materials.</i> | <input type="checkbox"/> <i>Testing.</i> |
| <input type="checkbox"/> <i>Contractors' employees.</i> | <input type="checkbox"/> <i>Delay in commencement.</i> |
| <input type="checkbox"/> <i>Site occupation.</i> | <input type="checkbox"/> <i>Meetings.</i> |
| <input type="checkbox"/> <i>Site Log.</i> | <input type="checkbox"/> <i>Photographs.</i> |
| <input type="checkbox"/> <i>Records, accounts and audit.</i> | <input type="checkbox"/> <i>Rate of progress.</i> |
| <input type="checkbox"/> <i>Disruption of progress.</i> | <input type="checkbox"/> <i>Delays ordered by the Project Coordinator.</i> |
| <input type="checkbox"/> <i>Measurement of works.</i> | <input type="checkbox"/> <i>Correction of inconsistencies.</i> |
| <input type="checkbox"/> <i>Identifying and correcting defects.</i> | <input type="checkbox"/> <i>Cost of repairs.</i> |
| <input type="checkbox"/> <i>Removal of improper work and materials.</i> | <input type="checkbox"/> <i>Site cleanliness.</i> |
| <input type="checkbox"/> <i>Suspension of works.</i> | <input type="checkbox"/> <i>Change Orders.</i> |
| <input type="checkbox"/> <i>Completion time extension.</i> | <input type="checkbox"/> <i>Liquidated damages for delay.</i> |
| <input type="checkbox"/> <i>Compensation events.</i> | <input type="checkbox"/> <i>Evaluation of damages and extension of time.</i> |
| <input type="checkbox"/> <i>Certificate of Substantial Completion.</i> | <input type="checkbox"/> <i>Maintenance period.</i> |
| <input type="checkbox"/> <i>Payments.</i> | <input type="checkbox"/> <i>Force Majeure.</i> |
| <input type="checkbox"/> <i>Suspension by the employer.</i> | <input type="checkbox"/> <i>Termination by the employer.</i> |
| <input type="checkbox"/> <i>Termination by the contractor.</i> | <input type="checkbox"/> <i>Settlement of disputes.</i> |

Many construction contracts involve advance payments (mobilization fees) and partial payments as stages of the job are completed. If mobilization fees are paid, great care must be taken to protect Mercy Corps' interests in the event of contractor default. Mobilization fees must be kept to a minimum, 5 – 25% of the contract value maximum (depending on the up-front expenses that will be incurred by the contractor). The mobilization fee must be tied to a "start date" beyond which the contractor forfeits a penalty.

For significant contracts, (over \$45,000) it is good practice to require the contractor to issue a Performance Bond (based on a percentage of the total contract value) in favor of Mercy Corps. This can be any irrevocable financial instrument. The bond will be returned to the contractor on certification of final works or warranty period.

Interim (tranche) payments must be linked to clearly defined inspection criteria. Rather than paying tranche payments in full, it is often advantageous to retain a percentage of each tranche against the risk of contractor default. If a contractor defaults before completion of works, Mercy Corps will incur the additional cost of identifying and engaging a new contractor. Withholdings against each tranche ensures that Mercy Corps is covered wholly or at least partially against the additional costs of a contractor default.

Final payments are generally made some period of time after completion of works. This period, whether tied to warranties or not, must be clearly defined.

Penalty clauses must be realistic and enforceable.

Large construction contracts must always be drawn up by experienced individuals and should be reviewed by a legal counsel.

Related Items

(Appendix VIII.2.d) [Sample Construction Contract](#)

8.2.3 Lease Agreements

Authority to enter into building or equipment leases is based on the guidelines of the Approval Authority Matrix described in section 2 of the Field Finance Manual. Generally only the Country Director has the authority to sign building and equipment leases.

The proposed lease agreement should be accompanied by a Purchase Request and include at minimum the following:

- Term of Lease.
- Monthly rental.
- Total amount of rental.
- Security deposits (if any)
- Responsibility for maintenance.
- Options for termination of the lease.

In those instances where need for a facility has not been previously established and justification for the proposed lease is not obvious, a memo describing the need and justification for the lease should accompany the proposed agreement.

Prior to approving the proposed lease agreement, the Country Director, Procurement Manager and the Finance Manager will review the proposed lease to:

- Ensure that such a contract is allowable under Mercy Corps and donor regulations.
- Ensure the contract contains clauses, which adequately protect Mercy Corps.
- Establish the competitive nature of the purchase.
- Analyze lease versus buy options.
- Does not exceed the period for which funding has been secured

Note that leases are budgeted on the totality of the commitment, not the monthly rental price and will generally be subject to competitive purchasing regulations.

It is a good practice to include a local legal counselor to ensure that the lease agreement complies with local laws and regulations.

Related Items

(Appendix VIII.2.e) [Lease Agreement Template](#)

(Appendix VIII.2.f) [Vehicle Rental Contract Template](#)

8.3 Consultants

A consulting agreement prepared by the HQ Human Resources Department is required for all international consultants whose cumulative services exceed \$600 per calendar year. A consultant is considered an international consultant when he or she is a citizen of any country other than the country in which the work is performed. Consultants hired from neighbouring countries who are not U.S. or U.K. citizens may be considered as local consultants.

Due to legal and reporting considerations, HQ Human Resources has the sole authority to issue international consulting agreements exceeding this threshold. In addition, all addendum's and cancellations are to be issued by HQ Human Resources. Consulting agreements shall be signed based on the HQ Approval Authority. Country Directors may not sign international consulting agreements.

Consultancy agreements on local level should be documented on Service Contracts.

Related Items [Field Finance Manual](#)

8.4 Reporting on contracting activities

The Procurement Department will track contracting activities and include a summary in their monthly reports. The report will be provided on the Contracting Activities Report Sheet for cash projection purposes.

Related Items

(Appendix VIII.4.a) [Ongoing and Expected Contracts Status Report](#)
(Appendix VIII.4.b) [Ongoing and Expected Contracts Status Report Example](#)

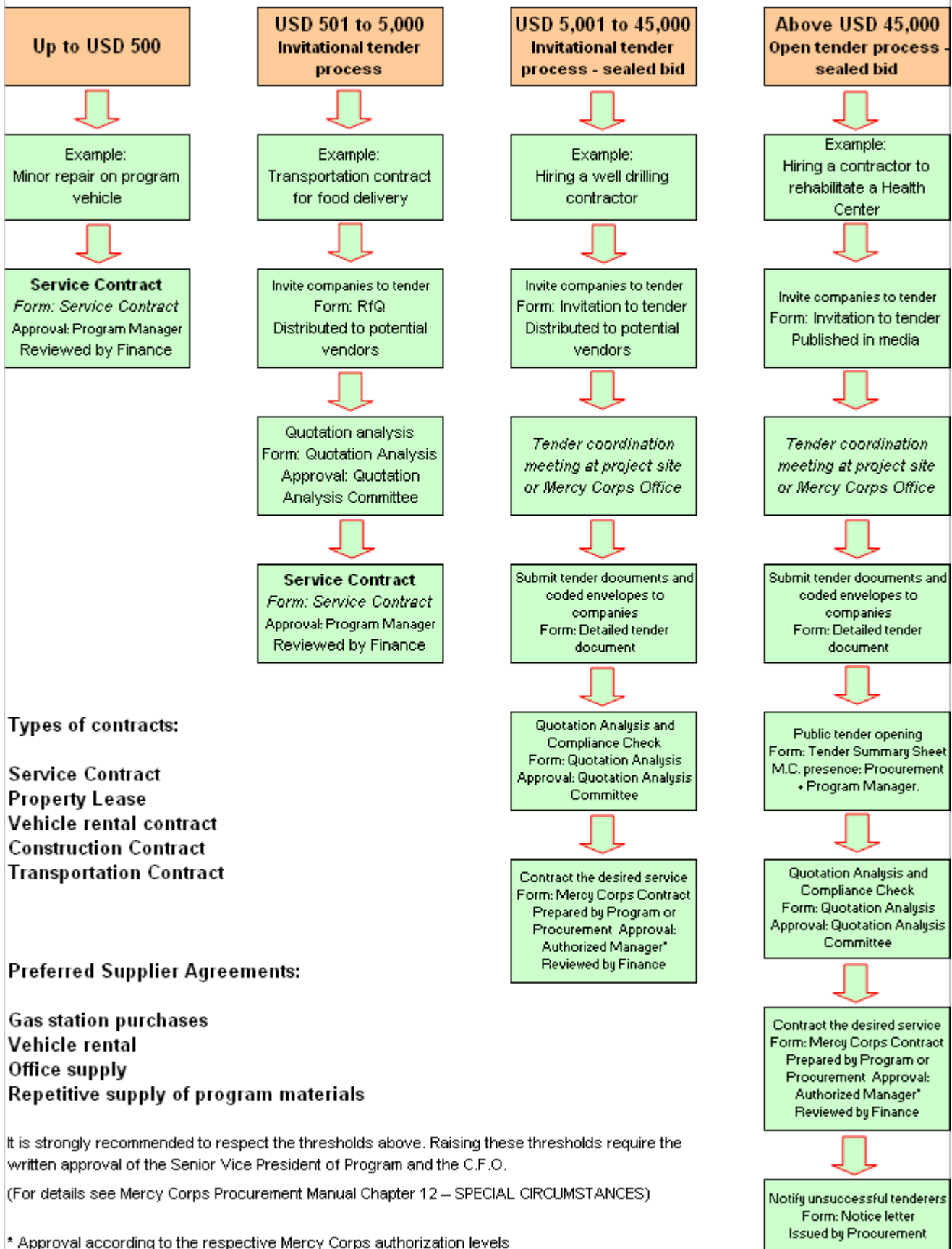
8.5 Procedure descriptions based on expenditure levels

The procedural steps for contracting activities are described below in the contracting process chart.

(Appendix VIII.5) [Contracting of Services Process Chart](#)



Contracting Of Services Process Chart



Types of contracts:

- Service Contract
- Property Lease
- Vehicle rental contract
- Construction Contract
- Transportation Contract

Preferred Supplier Agreements:

- Gas station purchases
- Vehicle rental
- Office supply
- Repetitive supply of program materials

It is strongly recommended to respect the thresholds above. Raising these thresholds require the written approval of the Senior Vice President of Program and the C.F.O.

(For details see Mercy Corps Procurement Manual Chapter 12 – SPECIAL CIRCUMSTANCES)

* Approval according to the respective Mercy Corps authorization levels

9 RECEIVING, REJECTIONS AND CLAIMS

Receipt of goods or verification of the completion of service will be done by an authorized Mercy Corps staff member. Each Field Office should assign a staff member who will be trained on receiving and inspection procedures. These staff members are generally warehouse or procurement staff. In exceptional circumstances when deliveries will be arranged directly to a project site it can be conducted with program staff trained in receiving and inspection procedures by the Logistics Manager. In these cases the Program Manager of the respective program must consult with the Logistics Manager to approve arrangements.

9.1 Receiving Procedures

Materials will generally arrive with the following documents:

- Waybill.
- Supplier delivery note or freight bill.
- Invoice or similar document.

Procedures:

- 1) Receiving & Inspection: The receiving officer will inspect shipments for obvious damage, irregularities, or other discrepancies. Upon discovery of any damages, irregularities, non-conformity with specifications or other discrepancies appropriate action must be taken. Officers accepting shipments should follow these basic guidelines:
 - Receipts must be checked off against the Mercy Corps Purchase Order or Purchase Request. This will require good co-ordination between the procurement and warehouse managers.
 - Receipts must be checked off against the suppliers' delivery documentation. Suppliers sometimes ship part orders, so the delivery will not match the order. This must be checked before initiating any claim process.
 - Do not sign the suppliers' delivery documentation until after inspecting all incoming materials.
 - Verify the number of cartons and markings listed on the freight bill with the actual number of cartons received.
 - Check contents against packing lists.
 - Inspect the incoming materials for condition, conformity, etc.

In the case of large shipments where a complete inspection is not practical before acceptance, delivery / receipt documentation should be signed off with the caveat "shipment accepted unopened, pending inspection". Generally the consignee then has 5 days in which to inspect the cargo and notify the shipper of any discrepancies.

- 2) After complying with the above-mentioned details, the receiving officer can sign the supplier's delivery documentation. The receiving officer then generates a Mercy Corps Goods Received Note and has the driver verify the GRN with his signature.

The GRN will detail any anomalies in the shipment and will cross-reference the delivery documentation and the Mercy Corps PR / PO, since the GRN is generated as a result of a linkage from the PR / PO. It is imperative that program, donor and grant information is ascertained and documented at this point.

- 3) Whenever possible the receiving staff member should immediately notify the originator of the Purchase Request associated with the delivery. The originator or designee should perform a technical inspection of the goods preferably at the time of unloading, or if it is not possible, within 3 days of the delivery. It is stipulated in the Mercy Corps Terms and Conditions of purchase that Mercy Corps has a right to reject the goods within this time frame.

Note: Special attention should be given to items received from international suppliers. MC may require further, original documentation ahead of time to clear goods from customs.

Discrepancies

If upon inspection, there appears to be a problem with the shipment; (shortages, incorrect items, damage etc.) notify the Logistics Manager immediately to arrange for return, replacement or credit.

If a carton appears damaged:

- Insist that it be opened and jointly inspected before the driver leaves.
- Note any damage in writing on the supplier's documents and have the driver sign your copy.
- Notify the Logistics Manager immediately to arrange for damaged merchandise to be returned for proper replacement or credit.
- Retain all damaged cartons and packing materials.
- Sign and date the packing list / supplier's documents, etc., to verify acceptance of delivery.

Note: Problems must be immediately reported to the supplier (or to the originating Mercy Corps Office if the items were sent from another Mercy Corps facility). The supplier will issue instructions on the procedure to follow, such as an independent insurance inspection. Materials must not be moved until the problem is fully documented on delivery documentation or the supplier has given written approval. If materials are moved without documentation, it may be difficult if not impossible, to prove where the problem occurred and Mercy Corps may subsequently be liable to cover any repair or replacement costs.

9.2 Completion Reports

Reports are used to document completion of services according to contractual agreements. The completion report should be filed by Mercy Corps staff members that are familiar with the arrangement between Mercy Corps and the service provider. Staff issuing completion reports must be familiar with the technical aspects of the contracted services and be in a position to make a proper analysis when deciding the level of completion. For a new completed structure (e.g. a school, health facility, major project sites, etc.) the completion report includes a detailed quantity survey report that is prepared by a suitably qualified engineer. The Project Manager will verify the data provided by the engineers. In cases where payments are to be issued in installments, a completion report that states the appropriate level of completion of service or activity must support each payment.

10 PREFERRED SUPPLIER AGREEMENTS

Definition

Preferred Supplier Agreements are agreements between Mercy Corps and pre-qualified outside suppliers and vendors in which the suppliers and vendors agree to provide value-added (lower prices, monthly billing, etc.) goods or services to Mercy Corps in return for preferred status as a Mercy Corps supplier. These agreements are primarily made for repetitive supply arrangements. Such value-added support to Mercy Corps does not necessarily exist purely in the form of lower prices but can also be reflected in the following ways, using radio communications equipment as an example:

- Pricing Terms (e.g. raise the general discount) Credit Terms
- Keep a pre-defined emergency stock level of particular equipment for Mercy Corps
- Customized kit-form recognition and supply
- No fees for programming frequencies prior to dispatch
- No Packing and Handling Fee (not to be confused with no shipping fee)
- Fixed freight schedule for defined destinations
- Purchase orders directly from Mercy Corps country offices
- Sales / Technical support provided directly to country offices
- Technical/product training for Mercy Corps employees (e.g. 1 week per agreement year)
- Free assembly and programming of repeaters

It should be clearly understood that Preferred Supplier Agreements are not the same as Sole Source purchasing. Sole Source purchasing refers to a fully documented process of procurement where either limited or alternate suppliers were unavailable at the time. See chapter 12 on Special Circumstances for more information. Can a Preferred Supplier Agreement be initiated on a sole source basis? Yes, but only where there is no other competition for the agreement. For example, there may only be one vehicle fuel station in a small town or village where a Mercy Corps office is located and you want to set up a credit payment system for vehicle fuel.

Preferred Supplier Agreements can offer a number of advantages to Mercy Corps; namely:

- Speeds up the procurement process by eliminating the 3-bid requirement for each and every individual purchase of a good or service.
- Places Mercy Corps in a stronger position to negotiate prices and terms with the supplier.
- Allows Mercy Corps to develop standard Mercy Corps specifications with the supplier.
- Reduces administrative costs and time.
- Allow closer control and monitoring of Mercy Corps / Supplier relationships and associated compliance issues.

- Allows Mercy Corps to maintain standardized equipment.

When to use Preferred Supplier Agreements

Typical examples of where Preferred Supplies could be used are:

- Vehicle fuel stations
- Vehicle maintenance workshops
- Travel Agents
- Stationary/office supplies vendors
- Repetitive supply of program materials
- Vehicle Rental Companies
- Specialist new vehicle suppliers
- Radio Communication equipment suppliers
- IT equipment suppliers
- New speciality vehicles (4x4)

How to Chose and Document Preferred Suppliers

There are various forms of Preferred Supply Agreements, such as: Indefinite Quantity Contracts, Blanket Orders, and Frame Agreements. Given the uncertainty of Mercy Corps' equipment requirements during a specified period of time, agreements of a contractual nature are difficult to establish and may even prove disadvantageous to Mercy Corps. This does not however preclude the establishment of informal Frame Agreements based on a Memorandum of Understanding between Mercy Corps and a supplier. Many suppliers will already be familiar with such Frame Agreements and can provide a template or example with which to begin the process.

The establishment of any Preferred Supplier Agreement must in itself be the subject of a competitive process with the decision to appoint any one supplier being fully justified and documented. Selection procedures should be initiated with Request for Proposals based on a standard basket of services and follow standard sealed quotation tender procedures. Selection of preferred supplier agreements will be scrutinized by internal and external auditors. Extra care should be taken that the selection process is conducted and documented properly.

Preferred Supplier Agreements for capital assets should not take place without consultation with the Director of Procurement, Administration and Logistics Management at Mercy Corps HQ.

Time Limitation

Preferred Supplier Agreements should be reviewed at least once every twelve months.

Related Items:

- (Appendix X.1.) [Vehicle Fuel Station Preferred Supplier Example](#)
- (Appendix X.2.) [Vehicle Rental Preferred Supplier Agreement Example](#)
- (Appendix X.3.) [Office Supply Preferred Supplier Agreement template](#)

11 PROCUREMENT FILING PROCEDURES

Every step of the procurement process must be clearly and transparently documented. The guidelines below must be implemented in every Mercy Corps office. The Finance Department requires a complete set of procurement documentation to support payments made. This documentation will be inspected by internal and external auditors and also form part of the "checks and balances" of the procurement process. The Procurement Department must possess copies of the supporting documents for the purpose of future cross-references.

The Procurement Manager will maintain a COMPLETE FILE for each purchase. In general, the originals of the procurement forms and documents will be forwarded to the Finance department, with a copy of these documents held by the logistics and procurement departments.

A complete 'stand-alone' file will include:

11.1 Purchases below the value of USD 500

- Copy of Purchase Request Form
- Copy of Invoice(s)/Receipt(s)
- Copy of Goods Received Note
- Copy of Purchase Record
- Copy of Payment Disbursement Voucher stamped PAID by Finance Department.

11.2 Purchases between the value of USD 501 to 5,000

- Copy of Purchase Request Form
- Copy of Request for Quotation – written specifications to vendors
- Copy of at least 3 bids or approved justification for not receiving 3 bids for purchases
- Copy of Quotation Analysis Form
- Copy of Goods Received Note
- Copy of Supplier's invoices, waybills, delivery notes or other documentation.
- Copy of Purchase Record
- Copy of Payment Disbursement Voucher stamped PAID by Finance Department.

The closure of each Purchase Request will be finalised by the completion of the Purchase Record, which is a complete cross-referenced stand-alone file of each purchase. A copy of the Purchase Record will be sent to the Finance Department accompanying the original with all the procurement forms, and to the Originator of the Purchase.

(Please note the instructions on form distribution in the bottom of relevant forms.)

11.3 Purchases above the value of USD 5,000

- Copy of Purchase Request Form
- Copy of Request for Quotation – written specifications to vendors
- Copy of at least 3 bids or approved justification for not receiving 3 bids for purchases
- Copy of Quotation Analysis Form with attached Compliance Check Report
- Copy of Purchase Order
- Copy of Goods Received Note
- Copy of Supplier's invoices, waybills, delivery notes or other documentation.
- Copy of Purchase Record
- Copy of Payment Disbursement Voucher stamped PAID by Finance Department.

The closure of each Purchase Request will be finalized by the completion of the Purchase Record, which is a complete cross-referenced stand-alone file of each purchase. A copy of the Purchase Record will be sent to the Finance Department with the originals of all the procurement forms, and to the Originator of the Purchase.

(Please note the instructions on form distributions in the bottom of relevant forms.)

11.4 Contracts and tenders

- Copy of Invitation to Tender – written specifications to vendors
- In case of open tender a copy of the advertisement of the Invitation to Tender
- Copy of at least 3 bids or approved justification for not receiving 3 bids for purchases
- Copy of Quotation Analysis Form with attached Compliance Check Report
- Copy of signed and approved contract and/or tender documents.
- Copy of completion report from the Originator's Program Department, validating each payment.
- Copy of the contractor's invoice for each (i.e. advance, partial or final) payment.
- Copy of Payment Disbursement Voucher stamped PAID by Finance Department.

11.5 Preferred supplier agreements

- Copy of the advertisement of the Invitation to Tender.
- Copy of at least 3 bids or approved justification for not receiving 3 bids for purchases.
- Copy of Quotation Analysis Form with attached Compliance Check Report.
- Copy of Purchase Request with preferred supplier information clearly stated in relevant sections.
- Copy of the supplier's invoice for each payment.
- Copy of Payment Disbursement Voucher stamped PAID by Finance Department relevant to each payment.

FILE SEPARATELY

12 SPECIAL CIRCUMSTANCES

It is important to strictly adhere to the procedures outlined in this manual and keep exceptions to an absolute minimum. The Country Director, or his/her delegate, must approve in writing all exceptions to policy.

12.1 Procurement of ineligible or restricted goods and services

Ineligible goods and services are those goods and services that cannot be purchased using a donor's funds under any circumstances.

Some donor regulations **restrict** the purchase of specified types of goods using the donor's funds. Each country office should review their donor's regulations and each grant agreement. Based on this review a list of restricted goods for each donor should be maintained. It is important when originating a purchase request to ensure that the goods or service being requested are not ineligible or restricted. When a procurement of restricted goods is proposed, a prior approval (see 12.2 for further explanation regarding waivers) **must** be obtained from the donor **before** initiating the procurement action. It is the responsibility of the procurement department to identify and ensure that procurement of restricted goods is not initiated until the necessary waivers have been obtained.

Goods commonly listed as ineligible or restricted by donors include:

- Agricultural commodities
- Motor vehicles
- Pharmaceuticals (including veterinary medicines and vaccines)
- Pesticides
- Used equipment
- Fertilizer
- Hazardous materials
- Equipment for the production of alcohol

12.2 Procurement of Pharmaceuticals, Medical Supplies and Nutritional Supplements

Before procuring such items please refer to the Mercy Corps Medications Policy (see link below or refer to Digital Library). If further clarifications needed, please consult with the Mercy Corps Health Technical Support Unit.

Related Items:

(Appendix XII.2) [Pharmaceuticals, Medical Supplies and Nutritional Supplements Procurement and Distribution Policy](#)

12.3 Waivers

Waivers constitute prior approval of actions that are restricted by donors' regulations. Prior approval consists of written documentation providing consent from an authorized official of the donor. For example, within USAID, the authorized official is always the Agreement Officer, unless this authority has been specifically delegated to another official (generally if delegation has been done, it will be incorporated into the grant agreement). The critical elements to prior approval is demonstration of an affirmative decision, by the official having authority to permit the expenditure at the donor level, before the procurement action has created an obligation to pay.

12.4 Restricted Countries

In order to ensure adherence with donor regulations (primarily USAID) Mercy Corps' policy is to not purchase goods or services from the following countries: Libya, Cuba, Laos, Iraq, Iran, North Korea, and Syria. Procurement of goods or services originated in the restricted countries can only be made with the prior written approval of the Country Director, or as provided for in the grant agreement. The Restricted Countries list will change periodically and will always be donor specific so be sure to check with the donor regulations of the grant being procured against.

Note that some grants (generally for programs operating in restricted countries) include language that provides a blanket waiver for local procurement.

12.5 Exceptions on segregation of duties

Responsibilities throughout the procurement process should be separated and delegated to several employees rather than entrusted to one employee. This provides a system of checks and balances to prevent errors, dishonest behavior, or fraud. Proper segregation of duties is a crucial part of all procurement action.

It is recognized however, that the cost of maintaining appropriate segregation may not always be proportional to the benefit received. This situation would occur primarily in sub-offices with very low levels of procurement. In this situation, the facts and circumstances should be reviewed and alternative internal control procedures implemented. The review should be written, involve the Finance Manager, detail the alternative procedures and responsibilities identified, and be approved by the Country Director. The segregation of duties review should be repeated on a regular basis, at a minimum annually. An example of alternative procedures is to require all procurement actions over a certain dollar amount to be performed by the Country Office. It is strongly recommended to use the electronic procurement system in such cases, so the communication and the approval action can be done remotely on the purchase requests.

Note: it is very rare for a country office not to have the sufficient and appropriate staffing to allow for adequate segregation of procurement duties.

12.6 Sole source procurement

Sole Source purchasing refers to a fully documented process of procurement where either limited or no competition was available at the time. The following are reasons recognized by Mercy Corps for the justification of sole source procurement. They are not exclusive of other considerations. Each sole source procurement action must have a documented, legitimate reason for the sole source procurement. Proper use of a preferred supplier (see chapter 10) is not sole source procurement.

- When the item or service to be purchased is truly unique and is available only from a single source;
- When the donor authorizes such a purchase based upon documentation submitted prior to initiation of the purchase;
- When competition is solicited but only one quotation or proposal is received;
- When an emergency precludes the use of normal competitive procedures.

12.7 Emergency

Emergency is defined as an unexpected situation that is so compelling that, if not corrected immediately, would endanger life, property or adversely affect essential operations. The emergency is so great that it precludes procurement using normal procedures, use of normal contracting methods and obtaining advanced approvals normally required for the procurement action. An example of an emergency is a refugee border crisis where essential life saving materials must be procured immediately in order to save lives of refugees.

Urgent need due to delay by those responsible, failure to plan adequately or inconvenient procedures does not constitute an emergency.

The frequency of procurement activities under these circumstances should be kept as low as possible. An explanatory note to file will need to be written by the Head of Office, reviewed by the Country Director to complete the documentation of purchases during an emergency situation.

12.8 Procurement from the Black Market

Mercy Corps policy is to not make purchases from the black market. The black market is considered to be a business operating in an illegal manner (but not necessarily an unlicensed business). Examples of the black market include the sale of stolen or smuggled goods, illegal money changing, requiring cash payments for large purchases when there is a working banking system (generally done to avoid paying taxes), etc.

The "gray" market can be utilized for small value purchases. The gray market is the segment of informal businesses not recognized by the government but are tolerated. Generally the gray market should only be used when there are few legal businesses, or the absence of government (i.e.- Iraq) or for small purchases the additional cost is not always reasonable. Large purchases should be done with legal licensed businesses that have bank accounts, provide payments terms, etc.

12.9 VAT and other taxes on goods and services

When possible, Mercy Corps should seek to receive an exemption from the host country government on the payment of VAT and other taxes on the procurement of goods and services. In some cases a donor will specifically ban the payment of VAT. In those cases, Mercy Corps cannot pay VAT nor hide the payment in an altered invoice from the vendor. Donor representatives located in the host country can often provide assistance or guidance in securing an exemption. If exemption is not possible, an alternative methodology for receiving a refund may often be negotiated.

Since the exemption of VAT must be secured before an invoice is received, it is important to research this issue early in the process and include any exemption documents in the RFQ process. ITTs, RFQs, and RFPs should always require that VAT and other taxes be quoted as separate line items to ensure that a like comparison can be made.

12.10 Raising the recommended thresholds established in this Manual.

In certain situations it is feasible to request an exception to the limits of procurement procedures outlined in this Manual. For example in country programs where large infrastructure projects are implemented on a very frequent basis and the average size of projects are higher than USD 45,000 the Country Director can request an increase of the threshold established for open tender process, given that it is still in compliance with the donor regulations of the grant under which the program is financed. Exceptions will be granted on a grant by grant basis.

The requests of such actions must be submitted in writing by the Country Director to the Senior Vice-President of Program and the Chief Financial Officer. The Director of Procurement Administration and Logistics Management (palm@mercycorpsfield.org) should be copied. A copy of the written approval by the Senior Vice President of Program and Chief Finance Officer should be included with the Quotation Analysis for such purchases/contracts.

13 PLANNING

Procurement Department

It is imperative that the Procurement Department becomes involved with project proposals at the earliest possible stages. While program staff is able to identify beneficiary populations and their needs, they are not necessarily aware of the logistical support required to achieve their goals. The following guidelines provide a simple approach to identifying the possible resources and time lines required to support a new program.

13.1 Planning Guideline

13.1.1 Nature of the Intervention

Logistics planning can only begin once intervention parameters have been determined. Consider the number of people in need of assistance, their geographic location, the nature and volume of materials and services that will be provided in what time frame. Focus on locally available resources, as the overriding goal is to support the local economy.

13.1.2 Inventory of Requirements

Start the inventory with the materials required directly by the target population. For example, if vaccinations will be administered, vaccine, syringes, “sharps” disposal boxes, swabs etc. This inventory will be revised as the planning process proceeds.

13.1.3 Cost and source of Inventory

Start sourcing and costing the required materials or services. The objective is to gain a clear picture of cost and delivery times and to identify possible hold-ups or problems. Check on what is available locally, for example, is there ample supply or is there a risk that it may dry up? For imports, determine supplier lead times and time required for delivery on site. Check if any items require inspections such as FDA. As customs clearance can often be problematic, it worth investigating the cost and benefit of using a clearing and forwarding agent.

Depending upon the donor, it may be expeditious to propose that certain waivers be included in the grant and not applied for subsequently. This should definitely be done for items known to require waivers; drugs, vehicles etc.

13.1.4 Storage Requirements

Having estimated the required storage space, include at least an additional 25% of space. Inventory has a peculiar way of “growing” quickly into what is available. Also consider space for contingency stocks, space for the preparation of kits or re-packing, space for maneuvering and vehicle loading and unloading.

Depending on the volume and nature of inventory, look at the possible need for racks and shelving etc. Are secure or temperature controlled areas needed? Look at any tools or equipment that may be needed - pallets, forklifts, refrigerators, hand tools, re-packing materials. What is available at what cost? Is there a requirement to construct temporary storage-Rubb Hall type, containers etc.

13.1.5 Distribution of Supplies

Consider carefully how distributions will actually be made. The method of distribution will determine the equipment and staffing required to affect it. This can run from supplies of demarcation tape through more solid channels, office furniture and cold boxes for transporting drugs. Breaking bulk shipments may need additional packing materials – boxes, plastic bags, sacks etc

13.1.6 Transportation

Consider the volume and size of materials that must be moved in particular time frames. Large shipments will require trucks and the shorter the time frame, the more trucks will be required. The level of local vs. international procurement will determine the number of vehicles required to facilitate - a high volume of small local purchases requires more vehicles than a smaller number of large imports. Discuss with program managers, individual program requirements. Consider the needs of Admin, Finance and daily domestic support. Calculate the fuel, spares and maintenance requirements and costs. Investigate the local availability of fuel, spares and maintenance - the program may have stock fuel and hire mechanics. Consider the need for fuel storage areas, pumps, tools etc. These findings will help determine the most appropriate make of vehicle or motorcycle.

13.1.7 Logistic Staffing

At this stage base staffing levels on the “ideal case”.

For any intervention requiring more than office supplies, include a dedicated data entry / reporting / office assistant. Based on our need for accurate information and our reporting burden, this position is not a luxury. Keep in mind that a high volume of local purchases will need more staff than predominantly imported purchases. Imports on the other hand, require a greater degree of staff capacity or experience.

The intended throughput of the warehouse(s) will determine the amount of labor and supervisory staff required. Consider labor requirements if kits are to be put together or bulk materials are to be re-packed.

Depending on the size of infrastructure and amount of equipment, consider hiring maintenance personnel such as, plumbers, carpenters, and electricians.

13.1.8 Office Space and Supplies

Start with the number of staff requiring desks, the number of staff requiring “quiet” or secure work spaces (or lockable storage areas) and then estimate the space or number of offices required.

Is this space available, at what cost? It may be necessary to investigate temporary solutions - tents, converted containers, modular units. How long will it take to have effective office space? – electrical outlets, telephone connections, divisions, lighting etc. Determine the office equipment and supplies that will be required based on the number of staff and the duration of the project.

Consider power supplies for both offices and warehouses. Is grid electricity available and reliable? Is there a need for standby generators? Or will generators be the prime source of power? What additional materials are required? - cable, lighting units, UPS. How will generators be maintained?

13.1.9 Security and Communications

Consider the physical security needs of both staff and property. Determine the time frame in which security measures could be put in place. This avoids materials being delivered to warehouse that cannot yet be secured.

Investigate the legality and licensing requirements for VHF, HF and satellite equipment. Investigate the import and possible inspection requirements for communications equipment.

The requirement for communications equipment will be determined by considering - staff security, the existence and reliability of local telephone services, the proximity of programs and staff to each other, the need for voice and/or data communications.

Depending on the duration of the project, the installation of complex VHF or HF systems may be more cost effective than reliance on cell or satellite telephone communications.

13.1.10 Data Analysis

At each stage of this process, you will have revised the “master” lists of required resources.

The result will be:

- A full inventory of materials and equipment required directly by programs and by their support services.
- A clear idea of the infrastructure required to operate the project
- A list of required staff
- A realistic time frame for implementation
- A detailed breakdown of cost

13.1.11 Existing Infrastructure

Depending on the existing logistics structure and capacity, it may not be necessary to bring in all of the elements identified for the proposed project. However, a careful analysis of any existing excess capacity must be made prior to reducing additional resources.

Identify logistic strengths and weaknesses – in the event there is a shortfall between “ideal” and “actual” resources, cuts can be made in areas that have the least negative impact.

Reality Check!

A shortfall in logistics capacity will directly effect project implementation. Based on likely logistics capacity, (if necessary) consider revising either the proposed scale of the intervention or the implementation time frame. At this stage, you are in a position to re-evaluate project parameters or in a better position to discuss / negotiate with the donor.

Once a project/grant has been confirmed, Logistics must request a copy of the grant and budget. This will enable them to identify planned expenditure, make the necessary preparations and encourage program staff to initiate orders.

Planning by Program staff

Program staff must be encouraged to plan their logistic requirements. Due to the many variables encountered in the course of our work, “last minute” or “panic” situations will inevitably arise. However, these situations do not have to be the norm.

Logistics can influence program planning with simple measures such as insisting on programs ordering sufficient quantities of materials for reasonable time periods e.g. monthly bulk orders to avoid purchasing stationery on an individual as-required basis.

Logistics must be involved in the proposal preparation process. This will allow identification of “hidden” logistic requirements and will allow reasonable lead times to be calculated. Accurate lead times will allow programs to offer realistic implementation start dates to donors and thereby reduce the risk of costly “no-cost extensions”.

Final Note

Remember that a good procurement system is a balance between rapid order fulfilment and sound, transparent procedures. If at any point, Logistics find that they have one at the expense of the other – the system must be reviewed and accordingly revised.

An accessible filing and documentation management system must be put in place as soon as operations start.

This manual is a “living document”. Periodic updates will be issued based on comments from the field. Comments and suggestions regarding this manual should be submitted to the Director of Procurement, Administration and Logistics Management at the agency headquarters. (palm@hq.mercycorps.org)



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