



Procurement and Tender Procedure

Procedure Information

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Procurement and Tender Procedure

1. Purpose

- 1.1 The purpose of this document is to describe the policies upon which Procurement and Tender activity within Dhiraagu will be based.
- 1.2 This covers the acquisition of all goods, services and works.
- 1.3 This document is to be used as a standard for all Procurement and Tender activity and the requirements are to be followed by every person authorised to make commitments on behalf of Dhiraagu. However, it is recognised that this document will not be able to anticipate and describe procurement procedures to cover all eventualities. Buying staff will need the flexibility to respond to the need of users and the supply market in the most appropriate manner. In pursuit of this they are free to develop whatever procedures appear appropriate, provided that the policies and principles described herein are adhered to at all times.

2. Applicability

- 2.1 The Procurement and Tender Procedure applies to the procurement of all categories of goods and services and works, with the exception of services such as training, legal, engineering, architectural, audit and accounting, banking and insurance services or other services that provide the opinion of a professional, and also other exceptional ones such as specific hardware or software, bandwidth and space segment which will be subject to separate mechanisms through delegated authority from CE.
- 2.2 International Tendering is not addressed in this document. This will be included in a later version. Currently tendering for major international projects are being done through Cable & Wireless tendering practices. However, the document addresses normal international procurement.

3. Principles

- 3.1 Dhiraagu adopts the fundamental principles of fairness, openness and competitiveness for its procurement procedure.
- 3.2 The underlying principles behind this procedure are:
 - 3.2.1 To ensure optimum utilisation of the company's resources, through the provision of goods and services to the company at the best possible price consistent with service and quality.
 - 3.2.2 To ensure the proper procedures are followed with regard to procurement and calling of tenders.
 - 3.2.3 To ensure compliance with government regulations.

4. Authority

4.1 The Board of Directors defines Chief Executive's financial authority and Chief Executive delegate part of this authority to Division Heads and Managers.

4.2 The "Limits of Authority" Schedule issued by Finance Department defines the authority limit of Division Heads and Managers. All expenditure should be within the business plan limits and no procurement commitment can be made without prior expenditure authority from CE.

4.3 There are two separate and discrete schedules of authority related to the purchase of goods and services. These are:

4.3.1 Expenditure authority

This is the authority vested in the budget holder enabling him to incur costs, which will be allocated to the project or cost center for which he/she has responsibility. In taking decisions to incur expenditure, budget holders must ensure that they have been delegated the appropriate authority.

4.3.2 Procurement authority

This is the authority vested in the responsible Division Head and the procurement function enabling them to place an order or contract on an external supplier.

Individuals are not permitted to make commitments with third parties unless Management has previously delegated them specific authority to do so.

5. Procurement Function

5.1 The main procurement function of Dhiraagu is centralised and currently the following departments are responsible for organisation and administration of centralised procurement services.

Function	Managed by	Responsibilities	Reports to
International Procurement	Manager Stores & Procurement	Obtain quotations and procure goods and services from outside Maldives	Head of Procurement & Property Management
Local Procurement	Manager Stores & Procurement	Obtain quotations and procure goods and services locally within Maldives	Head of Procurement & Property Management
Administration	Manager Administration	Call for Tenders for civil works, property lease, disposal of non-current assets and contract-out services such as janitorial services, security services etc.	Head of Procurement & Property Management

5.2 In addition to above, the following areas due to the nature of work have specific responsibilities to carry out procurement functions individually, provided that the policies and principles described herein are adhered to at all times.

Function	Managed by	Responsibilities	Reports to
Local Procurement – Regions	Manager – in charge of the Operations Centre	Obtain quotations and procure goods and services locally within the region.	Division Head - as per the reporting line
International Procurement – Teleshop	Manager Sales Outlets	Obtain quotations and procure Phones & its accessories for the purpose of re-selling in Teleshop	Head of Sales
Local Travel & transportation by sea & air and transport fleet management	Manager Transport	Obtain quotations and purchase of local travel & transportation service via sea and air. Obtain quotations and purchase all items related to transport fleet operations and maintenance.	Head of Procurement & Property Management

5.3 The responsibilities of the main procurement function is to:

- 5.3.1 Develop sources of supply to assure that Dhiraagu have an adequate number of suppliers/contractors from which to obtain supplies and services. Generate and maintain appropriate supplier relationships so that Dhiraagu always has highly motivated and efficient sources of supply capable of fully meeting its needs
- 5.3.2 Secure competitive bids when possible to obtain maximum value from the expenditures of Dhiraagu funds.
- 5.3.3 Develop, maintain, and administer sound procurement and materials management policies, practices, and procedures and to ensure that all those undertaking procurement actions fully comply with them.
- 5.3.4 Ensure that all procurement activities are governed by the highest professional and ethical standards regardless of who performs them.
- 5.3.5 Manage the activities associated with the purchase of all contracts, goods, and services in such a way as to achieve the lowest acquisition cost and maximise the benefit to Dhiraagu.
- 5.3.6 Provide advice and guidance to other departments with regard to prices, alternate sources of supply, and the availability of alternative products and services.
- 5.3.7 Outsourcing contracts for non-core business functions.
- 5.3.8 Provide procurement strategy input to investment business cases.
- 5.3.9 Maintain an up to date database of suppliers and contractors.
- 5.3.10 Monitor performance of suppliers and contractors.

- 5.3.11 Identification, development and co-ordination of training and education programmes for Dhiraagu staff on procurement and tendering.

6. Procurement Methods

- 6.1 The Procurement method used will be dependent on the nature of the requirements and the supply market.

- 6.2 Among the factors to be considered will be the availability of competition, the value of the contract, safety and quality, technical complexity, regulatory and government constraints and long term procurement goals. However, wherever possible and beneficial, business should be awarded on the basis of competition among qualified suppliers.

- 6.3 Among the methods for consideration will be:

6.3.1 Sole Source

- 6.3.1.1 Sole source procurement occurs when there is only one supplier that can provide the needed product or service. An example could be STELCO supplying electricity in Male.

6.3.2 Single Source

- 6.3.2.1 Single source procurement occurs when Dhiraagu selects a preferred single supplier or contractor to provide the product or service. In this situation Dhiraagu has the opportunity to verify prices from other suppliers.

- 6.3.2.2 With these suppliers Dhiraagu will establish special long-term strategic relationships based on mutual trust, respect, honesty and commitment to each other. Contracts may be negotiated with these strategic partners when it is in the best interest of Dhiraagu. Examples would be spares where Dhiraagu wishes to specify a particular manufacturer's product for various reasons, such as additions to an existing installation or to meet other requirements such as quality, safety etc.

6.3.3 Selective Bidding

- 6.3.3.1 Selective Bidding or Competitive Proposals or Negotiations occurs when proposals and quotations are invited from only a few selected suppliers. Some instances where competitive proposals are requested are when no suitable tender is received from a Competitive Bidding or when it is not feasible/practical to call for Competitive Bidding, e.g. value of the purchase, particular make or brand, intellectual property rights, copyrights etc. This method is also generally used for international procurement.

- 6.3.3.2 An updated list of preferred qualified suppliers, civil works contractors, consultants, and service contractors should be kept by the respective procurement functions.

6.3.3.3 Procedure for Selective Bidding

The procurement function will prepare a Request for Proposal (RFP) document that compromise the following:

1. RFP Number and Definition
2. Letter to Vendor (Supplier/Contractor)
3. Description of Requirements (Statement of Work or Product Specifications)
4. Contract Terms and Conditions

The RFP will be sent to selected suppliers or contractors.

The Procurement Function will establish a separate file for the RFP. The Tendering Guidelines in Section 9 apply with regard to preparing tender specifications, bid opening, evaluation of the proposal or proposals and selection of the successful bidder and approval of the Purchase Order.

6.3.4 Competitive Bidding

6.3.4.1 Competitive Bidding usually takes the form of sealed bidding when all potential suppliers has the opportunity to participate by responding to Tender Notices.

6.3.4.2 In a Competitive Bidding, depending on the requirement or if the value of the contract is above Rf 5000,000.00 first a qualification of interested suppliers based on their capabilities is carried out so as to exclude suppliers who do not meet the minimum requirements. Suppliers qualified in this process are then invited to submit tenders.

6.2.4.3 Procedure for Competitive Bidding

For competitive bidding, upon identification of the requirement the procurement function will place a tender notice in the relevant newspapers.

The Procurement function should open a separate tender file for each tender invited.

The file should include:

- Copy of public tender advertisement
- User Department and Project Manager's Name
- Tender Document (same as RFP)
- Contract Terms and Conditions
- Photocopies of drawings, specifications, installation and handling requirement and/or any other documents relevant to the tender.

The Tendering Guidelines in Section 9 apply with regard to preparing tender specifications, bid opening, evaluation of the proposal or proposals and selection of the successful bidder and approval of the Purchase Order.

7. Procurement Procedure

- 7.1 All procurement activities must be carried out in accordance with the policies and procedures described in this document.
- 7.2 For the purpose of these procedures, purchase/lease of goods, services or works shall be classified into the three categories based on the value of purchase.
Category A : Small Value Items below Rf 250
Category B : Value below Rf 5000
Category C : Value from and above Rf 5000
- 7.3 The categories apply to the unit value of goods or the contract value for services or works.
- 7.4 Where separate requisitions are submitted for the purchase of components of a unit and it is considered that the various components as requisitioned do in fact comprise a total unit above or equivalent to Rf 5000, the purchase should be considered in Category C.
- 7.5 Category A – Small Value Items
- 7.5.1 All items with a value below Rf 250 should be purchased from Petty Cash funds.
- 7.5.2 Petty Cash transactions initiated by a department do not require prior approval of the central procurement function. Departments are encouraged to establish an adequate petty cash fund for emergency purchases and to purchase low cost items, which can be purchased locally. Instructions for the use of petty cash funds may be obtained from Finance Department.
- 7.6 Category B - Value below Rf 5,000
- 7.6.1 The procurement department will attempt to obtain at least three quotations, either in writing or by telephone, depending on the competitive nature of the items required.
- 7.6.2 The procurement department and the User will evaluate these quotations jointly.
- 7.6.3 Details of the telephone conversations or written correspondence with the supplier must be documented and signed by the respective Manager and should accompany the purchase order.
- 7.6.4 Approval of quotations below Rf 5,000 will be the responsibility of the budget holder.
- 7.6.5 The Procurement department will retain all documented details of the quotation.
- 7.7 Category C - Value from and above Rf 5,000
- 7.7.1 For all purchases from and above Rf 5000, the Procurement department either through Selective or Competitive Bidding must seek at least three competitive proposals, unless the procurement is through a sole or single source. Depending on the nature of the requirement and the supply market, Procurement Department will choose the best method.

Value of Purchase	Evaluation & Selection	Approval
5,000 to 50,000	Procurement function and User	Division Head of user department
50,001 to 100,000	Procurement function, User and Division Head of user department	CE
> 100,000	Tender Evaluation Board	CE

- 7.8 The Procurement Department should retain details of the purchases, tenders and all documentation.
- 7.9 Essentially all civil works contracts greater than Rf100,000 in value should be open for Competitive Bidding.
- 7.10 For all contracts/purchases above Rf 5,000,000 in value, potential bidders should be pre-qualified. This should be done by advertising intention to pre-qualify potential bidders.
- 7.11 All international procurement activities should be directed to the attention of the Head of Finance and all local procurement activities to Head of Procurement & Property Management.
- 7.12 If a staff become involved in a purchase that exceeds his authority limit, he must refer the transaction to someone with sufficient delegated authority before discussions have progressed substantially.
- 7.13 Changes to orders and contracts must receive the same level of approval as the original transaction unless the change increase the value beyond the approval level of the original signatory in which case the appropriate higher level authorisation must be obtained.
- 7.14 The Accounts Payable section of the Finance Department will handle all payments to suppliers. This will be done following the matching of the supplier's invoice with the following documents with regard to the type of purchase.

Type of Purchase	Match Suppliers invoice with
Local Procurement of materials	Confirmation of acceptance by User by counter-signing copy of the Local Purchase Order or signing the Suppliers Invoice confirming receipt
International Procurement of materials	Goods Received Note
Signed Contracts	Payment Terms of the Contract

8. General Guidelines

8.1 Supplier Lists

- 8.1.1 The purchasing function will maintain an up-to-date knowledge of the supply market by visits, personal contacts, and trade literature. Data shall be held in a systematic and easily retrievable fashion preferably in the form of a list of Preferred Contractors

and Suppliers who wish to bid on purchases. Whilst such a list is extremely valuable, care should be taken that it does not result in potentially excellent suppliers being excluded because they are not pre-qualified.

8.1.2 Selective Bidding will normally be solicited from those suppliers whom the purchasing function determines will stimulate viable competitive bidding.

8.2 Supply Sources

8.2.1 Requisitioning departments are encouraged to suggest sources of supply for required items. Authority for the final selection of the supplier, however, shall be left to the Procurement function or the Tender Evaluation Board who will make the decision in light of the overall needs of the Dhiraagu.

8.3 Lowest acquisition cost

8.3.1 Each contract must be developed and awarded with the objective of securing the best overall deal based on whole life cost considering factors such as technical compliance and quality, health and safety, reliability and operating costs, warranty and product support, inventory and distribution costs, pricing, payment schedules and environmental issues. The bidder offering the lowest initial price will not necessarily represent the best overall deal.

8.4 Competition

8.4.1 Full advantage shall be taken of market competition. The degree of competition in the marketplace shall be analysed and the suitability of potential suppliers evaluated.

8.4.2 Where an adequate number of suitably qualified potential suppliers exists, a procurement strategy must be developed to leverage on the available competition and secure the best overall deal for Dhiraagu.

8.5 Negotiation

8.5.1 Negotiation is an integral part of procurement processes, and need not be restricted to pricing issues; all elements of a vendor's proposal may be subject to question, discussion, clarification, and negotiation.

8.6 Payment Policy

8.6.1 Payment must be made in accordance with agreed Conditions of Contract, which must not be amended without prior written agreement of the contracting parties.

8.7 Advance Payments

8.7.1 Payment may only be made for goods received and accepted or for services satisfactorily provided. In exceptional circumstances, earlier payments, whether in full, in part or on achievement of predetermined milestones, may be considered, subject to the provision of appropriate safeguards and guarantees, and where the earlier payment provides either a distinct commercial advantage, or prevents a commercial disadvantage, to Dhiraagu.

8.7.2 In such circumstances, Finance Department must be consulted at the earliest possible opportunity for advice and guidance.

8.7.3 All Advance Payments will require prior approval of either CE or Head of Finance.

8.8 Best Practice, Personal Conduct and Ethics

8.8.1 It is Dhiraagu's policy to apply contemporary best practice in the field of procurement in order to ensure that a high quality, efficient service is provided to customers and that the interests of Dhiraagu are safeguarded.

8.8.2 In conducting business on behalf of Dhiraagu, staff are expected to display the highest standard of personal and ethical conduct.

8.9 Confidentiality

8.9.1 Information, including all commercial data on prices and other terms provided to Dhiraagu by suppliers is to be treated as confidential.

8.9.2 Under no circumstances should data provided by one supplier be communicated to another in either written or oral form.

8.9.3 In the same way, extreme care should be taken not to pass to competitors information about the precise terms and conditions of contracts made with suppliers.

8.9.4 If there is any doubt as to whether information obtained in any activity is confidential, the individual should assume it is confidential and treat it as such, unless advised otherwise.

8.9.5 Within Dhiraagu, disclosures of confidential information should occur only on an as-needed basis.

8.10 Conflict of Interest

8.10.1 An individual will not be involved in making a business decision where he or she has a conflict of interest.

8.10.2 It is unfair for employees to be put, or to put themselves, into a position where their loyalties are divided. It is important to be clear about the nature of a conflict of interest (either real or perceived) and hence the steps that must be taken to avoid or manage it, rather than think of and ban every conceivable situation that could lead to a conflict of interest.

8.10.3 Engaging in outside activities such as secondary employment or consultancy, directorships or freelance activities should not prejudice Dhiraagu claim on an individual's time, incur the use of Dhiraagu resources or entail the application of proprietary knowledge gained in Dhiraagu service to the benefit of an outside employer. Family ties or other relationships that could be seen to be an unfair influence (e.g. a family interest in an outside company with which Dhiraagu does business) must be suitably isolated from the business and / or procurement decision.

8.11 Gifts and Entertainment

8.11.1 Retention of any material gift or favour in the course of business can cause a conflict of interest and may be an abuse of trust.

8.11.2 In principle receiving or giving tokens of appreciation or accepting or giving reasonable entertainment to further a business relationship is generally acceptable. Receipt of material gifts or favours will be documented and an acceptable course of action endorsed by management.

8.12 Reciprocal Trading

8.12.1 Reciprocal trading is expressly prohibited. Whilst contracts may be placed with suppliers that are also Dhiraagu customers, the award decision must be taken in isolation, based solely on an objective evaluation of all tenders received.

9. **Tendering**

The following guidelines should be used to carry out the Tendering activity.

9.1 Preparing a Tender Notice

9.1.1 Essentially all tender notices must be routed through the Admin Department unless CE approves alternate arrangements.

9.1.2 Tender Notice should include

- Tender Number
- Tender Name
- Time and Date for closing
- Details to bidders where to obtain tender packages
- Indicate address where tenders are to be delivered
- Indicate venue and time where opening takes place

9.1.3 A Civil Works Tender Package would normally include;

- Letter to the Bidder
- Instruction to Bidders
- Forms of Bid, Qualification Information, and Letter of Acceptance
- Conditions of Contract
- Standard Forms
- Additional Management Information
- Technical Specifications
- Bill of Quantities
- Drawings

9.1.4 A Tender Package requesting for Proposals for Purchase would normally include:

- Letter to the Bidder
- Instructions to Bidders
 - o Closing Date
 - o Point of Contact
 - o Proposal Format
 - o General Information

- Statement of Purchase/Work
 - o Background
 - o Scope of Purchase/Work
 - o Technical Specifications
 - o Deliverables and Schedules
 - o Testing and Acceptance Requirements
 - o Documentation Requirements
- Conditions of Contract
- Price Breakdown Instructions / Bill of Quantities

9.2 Preparing Tender Specifications

9.2.1 When developing the tender specifications ensure that the following points are considered;

9.2.1.1 Development of an accurate set of specifications for the bidders to review and reply to. Inadequate specifications will cause problems for the bidders in developing accurate bids and may result in the acquisition of goods and/or service that do not meet the standards desired by requestor.

9.2.1.2 Document the minimum warranty requirements you will accept.

9.2.1.3 Ensure that specifications adequately express the quality of the product. Where required it is normal practice to refer a "brand" name of an acceptable product, however, the words "or equivalent" are also required.

9.2.1.4 Specify a delivery period.

9.3 Tender Opening

9.3.1 All Tenders should be opened in the presence of the Bidders who wish to join the Bid Opening session. In addition two staff from Dhiraagu, one of them should be either Manager Stores & Procurement or Manager Administration or their representative and the other should be the Financial Controller or his/her representative.

9.3.2 Tenders will be opened individually and the following information disclosed and entered in the Tenders Received Summary Sheet:

- Tender Number
- Tender Name
- Name of the Bidder
- Price
- Delivery Period

9.3.3 Tenders Received Summary Sheet should be signed by all present and submitted for evaluation to the Tender Evaluation Board.

9.4 Tender Evaluation Board

9.4.1 CE will appoint the Tender Evaluation Board.

9.4.2 Quorum for any meeting of the Tender Evaluation Board shall be the Chief Executive and at least two other members of the Tender Evaluation Board.

9.5 Tender Evaluation Guidelines

9.5.1 Dhiraagu will award to the lowest bidder provided the bid has been submitted in accordance with the requirements of the bid request, and meets all specifications and delivery requirements. However, other circumstances may warrant award to another bidder based on factors deemed by Dhiraagu to be in its best interests, such as bidders past performance, experience, proximity to the project, and/or other factors. In most circumstances, Dhiraagu will award bids to the bidder who offers the most advantageous combination of commercial terms and technical excellence.

9.5.2 Dhiraagu assess tenders based on the following process:

9.5.3 Firstly has the bidder submitted a responsive bid? Is it substantially complete in accordance with the instructions to bidders and does it specifically include a properly signed letter of intent and any other specified undertakings?

9.5.4 The criteria to be assessed during technical and management assessment comprise establishing whether the applicant has adequate technical capability, financial stability and relevant experience (including past performance).

9.5.5 There are no precise means of measuring these criteria thoroughly. Rather, a series of "indicators" or "factors" can be used for each criterion, which can collectively give Dhiraagu a measure of confidence about whether a bidder satisfies the criterion. A large number of factors can be devised. Which set of factors or indicators will be appropriate for any particular contract depends upon the value of the contract, their complexity, and most importantly, the associated risk to Dhiraagu. The choice of appropriate factors also depends upon the practicality of collecting and assessing pertinent information; including the time and resources that Dhiraagu or its consultants have available for the task.

9.5.6 Normally a "scoring system" should be used for the detailed assessment; as such systems provide greater flexibility for the exercise of judgement over the information from bidders, which is very variable in nature and not amenable to precise measurements of acceptability. A scoring system also recognizes that several factors collectively will give Dhiraagu confidence about whether a criterion has been met, while an individual factor might be misleading.

9.5.7 The scoring system should include setting minimum scores for each criterion that must be reached by an applicant to allow an award. In addition, an overall minimum score that is higher than the sum of the minima for the individual criteria can be established. This ensures that bidders only barely satisfying the criteria and therefore having an overall weakness should not be awarded, while an applicant that barely satisfies, say, one or two criteria can be awarded by virtue of scoring well above the minimum for other criteria.

9.5.8 The Tender Evaluation Board should review and refine the scoring system to suit the particular circumstances of the respective contract.

9.5.9 The major features of the scoring system are:

- Establishment of groups of evaluation factors and the assignment of a minimum score to be reached for each group if an applicant is to be considered for qualification;
- Establishment of criteria for assigning numerical value to qualitative information (this is done by determining the number of points to be scored for different levels of quality reflected in the information submitted with respect to each factor); and
- Assignment to each group of factors, and to each factor within a group, a percentage of the total number of points that best reflects the relative importance of each factor for the determination of an applicant's overall qualifications.

9.5.10 Here are some examples of group of factors that could be used to measure a bidders' bid for the purpose of Technical & Management Evaluation.

- Financial capability (Average annual income, Available credit)
- Technical qualifications (Site management, Key Personnel, Equipment)
- Experience (past performance, number of contracts and values)
- Understanding the Bid (submission of bid, completion of bid)
- Management Plan (Proposed organization, relationship with subcontractors)

9.5.11 A large number of group of factors can be used if necessary. This is desirable where one or more of the factors is critical and needs to be assessed separately. For example, if the capability to make a particular item of equipment is of utmost importance "equipment" can be made a separate group and assigned a specific minimum score for qualification.

9.5.12 After determining the maximum number of points (usually 100), the points must be distributed among the groups of factors in accordance with the importance of each group for determining an applicant's qualification to carry out the required works. For example, if experience is especially important because of the complexity or difficulty of the construction works, that fact should be reflected in the percentage of the maximum score allocated to the "experience" group. The same principle governs the allocation of points assigned to the individual factors within that group.

9.5.13 "Criteria" are defined as the scales used to measure qualification with respect to a given factor i.e. the way in which information submitted in the bid is translated into points. Wherever possible, the criteria are expressed quantitatively (number, value and size of previous contracts for similar work). In some cases, however, qualitative criteria must be used, for example in connection with management or staff resources, where the criteria are judgemental and a bidders qualifications for a contract could be judged as "inadequate", "marginal", "satisfactory" or "superior".

9.5.14 For commercial evaluation of the bid, the major factors would be Contract Price and Delivery Period.

9.5.15 Full details of tender analysis and consequent decisions shall be documented and filed to provide a comprehensive audit trail.

9.5.16 Documentation is required from the requisitioning department to justify why the technical characteristics inherent in the item make it essential to the project that it should be purchased in preference to another brand of lower cost by similar capabilities.

9.6 Post-Tender Negotiation

9.6.1 As stated in clause 8.5 under General Guidelines, negotiation is an integral part of procurement process. Dhiraagu accepts post-tender negotiation as a norm to leverage on the available competition and secure the best overall deal for Dhiraagu. If post-tender negotiations are carried out with more than one bidder, the negotiated prices and other terms shall be made available for the short listed bidders.

10. Contracts and Agreements

10.1 For all civil contracts or services with a value above Rf 50,000, a written contract agreement should be signed between Dhiraagu and the contractor/supplier.

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