

**(Name of Cooperative)**

**(Logo for Cooperative if it has)**

**PROCUREMENT POLICY**

# Procurement Policy

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## 1 INTRODUCTION

### 1.1 Document Purpose

The purpose of this document is to define and provide guidance to the Cooperative on sourcing of assets and perishables hereunder referred to as Procurement Policy.

### 1.2 Purpose Statement

A statement of purpose for the Procurement function is

*“Procurement exists to improve the cooperative’s performance through rigorous adoption of best practices, strategic sourcing and Procurement principles, so as to enhance overall efficiency”*

This should always be performed within this Policy’s principle(s) at any point in time.

### 1.3 Definitions

For the purposes of this document, the following definitions and abbreviations will be used:

<b>Term</b>	<b>Definition</b>
Procurement/Purchasing	The process of sourcing, valuating, contracting, buying and paying for goods and services
Procurement Office/ Procurement Management	The respective central procurement unit within the Cooperative.
Policy	The Procurement policy and processes outlined in this document.
Maverick Spend	Spend which takes place outside of the Procurement Guidelines and policies.
Vendor	A person or Company that sells goods and services for profit.

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## 2 PROCUREMENT VALUES & PRINCIPLES

### 2.1 Values

The key values for the Procurement function are the following:

To maintain a reputation for good governance, corporate responsibility, ethical behaviour and fair dealing;

To provide the optimal balance between quality and value for money in all dealings;

To enhance the competitive position and reputation of the Cooperative;

To provide an effective service to the business units wishing to procure goods and services.

### 2.2 Principles

The key principles for the Procurement function are the following:

To ensure that all governance principles are followed;

To recognise that good procurement practice assists in economic development of the vendor;

Except where value clearly indicates to the contrary, all contracts that are put in place for commodities that are easily and freely available from multiple sources in the marketplace, must not run for longer than one year without a review, must be standardised and must include an exit for convenience option for the Cooperative.

All vendors to the Cooperative must be selected via a fair and transparent selection process;

Not less than three vendors must be selected as preferred vendors for a specified commodity, from a supply risk mitigation perspective, except in exceptional circumstances where time and availability is of essence.

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## 2.2.1 Core Principle:

The Cooperative will always follow due process in the procurement of goods and services. This implies an ability to demonstrate complete fairness in vendor selection and vendor relationship management. Reciprocal business arrangements are undesirable and are to be discouraged, however, relationships may exist and in these circumstances they must be dealt with in accordance with the relevant internal policy.

## 3 PROCUREMENT FUNCTION ROLES

The following roles fall within the ambit of the Procurement Function:

Negotiate standardized contracts in the best interests of the Cooperative;

Implement a Best Practice Procurement methodology;

Provide accurate and timeous Procurement management information for decision making purposes.

Maintain and market the image of the Cooperative in dealing with vendors and potential vendors;

Reduce maverick spend;

Perform market and benchmark trend analysis on commodity prices;

Facilitation/ purchase of ad hoc goods and services on behalf of the Cooperative – in this context facilitation implies provision of guidelines and policies to allow a unit to exercise due Procurement process, purchase implies the actual negotiation and purchase on behalf of the unit.

## 3.1 Mandates

In the case of each Procurement function, specific mandates are set from time to time by the Board covering:

The specified commodities that Procurement is responsible for;

The mandate of the Manager or Supervisor;

The contractual limits of authority;

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Evaluation and measurement criteria for vendor selection.;

Standard terms and conditions for contracts and agreements.

## 3.2 Risk Management

Procurement Management must ensure that the sourcing of all Specified Commodities is done within the ambit of this policy document and the current legal framework of Eswatini.

Procurement Management must ensure that relevant risk mitigation steps are taken in the procurement of Specified Commodities particularly with regard to:

Supply risk – continuity of supply;

Price variance;

Price benchmarks – that the pricing is competitive;

Foreign exchange fluctuation;

Labour risk;

Volume variations;

Legislation;

Dispute resolution;

Product or service standards and quality;

Possible future business requirement changes.

## 3.3 Accountability

Each individual involved in Procurement has an obligation to account for the manner in which the process is conducted and the achievement of the desired outcome.

All transactions and steps in the process are subject to accurate record keeping and shall allow for verification and validation by auditors (internal or external).

Where the Manager (Procurement Office) is not involved in the sourcing of a Commodity, the acceptance of the responsibility for the sourcing risk by the appropriate business head will be assumed and required. This will be to confirm that the business unit has mitigated all appropriate risks and followed all prescribed processes. (**see also consequence management**)

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## 3.4 Legality

Each individual involved in Procurement must ensure that all transactions and procurement processes comply with and fulfill all regulatory, supervisory and contractual obligations of the Cooperative.

## 4. AUTHORITY TO ORDER (Customize)

Purchasing orders issued for any goods or services must be authorized in the following manner.

TYPE OF PURCHASE	THRESHOLD	REQUIREMENTS
Simple Purchase	E1 to E999	No Quote
3 Quote Threshold Value	E1000 to E49 999	Minimum Three (3) Quotes
Tender/Contract Threshold Value	E50 000 and above	Tender/Contract (Tender Evaluation Panel)
Tender/Contract Threshold Value	E50 000 and above	Tender/Contract (Tender Evaluation Panel)

## 4 PROCUREMENT SOURCING

### 4.1 Vendor Contracts and Agreements

Procurement Management input and endorsement is required before any contracts or agreements with vendors of Specified Commodities are entered into.

The standardised contract terms & conditions are to be utilised for all specified contracts, where appropriate.

Procurement Management will be responsible for ensuring that the Legal function reviews all specified vendor contracts.

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## **4.2 Vendor Contract Negotiations**

All contract negotiations with vendors for Specified Commodities, are to be facilitated by the Manager or his/her nominated individual who should refer to the approved Vendor List.

The Procurement Office is the custodian of the Cooperative's approved vendor List and is to ensure that this list is freely available to all business units wishing to procure.

Any newly identified potential vendors are to be routed to the Manager for review and approval, prior to purchasing from the vendor.

Except where Procurement approval has been provided in a specific instance, spend with vendors that are not on the approved Vendor List will be considered Maverick Spend and will be duly investigated and, where appropriate, disciplinary or other action will be taken.

Vendors will be removed from the list if it is so determined by the Procurement Office, that the Cooperative no longer utilises their services or that the vendor has failed to perform or has conducted itself inappropriately.

## **4.3 Selection of Vendors**

Procurement Management must use a fair and transparent tender or selection process for the approval of strategic, contract vendors to the Cooperative, in collaboration with the departments requiring the service.

## **4.4 Approvals**

The mandates and defined approval processes will be used to ensure correct authorisation is obtained on any orders prior to orders being processed.

No purchases via any vendor not on the approved vendor list for Specified Commodities are to occur without first consulting with the Procurement Office. In cases where orders are placed with vendors not on the approved list, action may be taken against the individual who placed and/or authorised the order (See Consequence Management).

## **4.5 Direct Procurement/Purchase**

Shall be used where the goods being sourced are either of low cost [as per set ceiling], repeat orders and especially with prequalified suppliers or due to urgent nature of need to be met. However, any direct purchase above the set ceiling shall have the express authority of the Board.

## **4.6 Maverick spend**

All procurement expenditure must be routed through the relevant financial system so that spending information can be tracked and included in the procurement management information which is key to the Accountant reporting.

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Spend with vendors that are not on the approved Vendor List will be considered as Maverick Spend.

Spend that is incurred or paid for outside of the approved procurement system and processes will be considered as Maverick Spend.

Procurement Management, together with the various departments, must reduce Maverick Spend so that the benefits of collaboration and consolidation can be met in accordance with cooperative internal strategy, policies and targets.

Except where Procurement approval has been provided in a specific instance, spend with vendors that are not on the approved vendor list will be considered Maverick Spend and will be duly investigated and, where appropriate, disciplinary or other action will be taken.

## 5. ETHICS & GOVERNANCE

### 5.1 Ethics

It is the objective of the Cooperative to promote high ethical standards, particularly in the Procurement functions. The behaviour of Procurement representatives must represent best ethical practice. To achieve this, the following ethics standards will apply in addition to specific general corporate governance:

**Declaration of interest** - any personal interest which may impinge or might reasonably be deemed by others to impinge on a Board or staff member's impartiality in any matter relevant to his or her duties should be declared to his/her Manager, Supervisor or the Board;

**Confidentiality and accuracy of information** - the confidentiality of information received in the course of duty should be respected and must never be used for personal gain; information given in the course of duty should be true, fair and never designed to mislead. All Procurement personnel are to sign confidentiality agreements;

**Competition** - any arrangement which might, in the long term, prevent the effective operation of fair competition, should be avoided;

**Business gifts** – no gifts, payments, loans, rewards, inducements, benefits or other advantages should be accepted from any vendor or potential vendor except to the extent permitted by the Cooperative's policy in this regard, and, failing any such policy, none should be accepted;

**Hospitality** - modest hospitality is an accepted courtesy of a business relationship. However, the recipient should not allow him or herself to reach a position whereby he or she might be deemed by others to have been influenced in making a business decision as a consequence of accepting such hospitality; the frequency and scale of hospitality

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accepted should not be significantly greater than the recipient's employer would be likely to provide in return.

## 5 THE PROCUREMENT MANAGEMENT (PM)

### 5.1 Objective

The main objectives of the PM is to ensure that the procurement process is followed correctly including contract management principles and that collaboration occurs within each department and as a whole to ensure best value for the entire organization; that supply is consolidated in order to promote volume leveraging, and to apply the necessary controls to all procurement spend within the cooperative in order to negate the occurrence of Maverick, unnecessary and uninformed spend.

### 5.2 Composition

To be specified by the Board, but should include:

Chairperson :         Manager

Member :         Accountant

Attendees:         Audit and Compliance officer/Any Staff Member

### 5.3 Functions

Monitor, guide and direct departments in terms of the procurement process and Cooperative strategy.

Evaluate and decide on proposals and decisions recommended by management or departments.

Champion Procurement policies, principles and decisions within departments.

Review of list of vendors.

Facilitate collaboration between Cooperative functions.

Ensure that funds are available for the procurement under consideration.

Ensure that the cooperative does not pay in excess of prevailing market prices.

### 5.4 Outputs of PM

Decisions or confirmation regarding any proposals and recommendations tabled for decision.

Communication to departments in respect of Procurement initiatives.

Direction and strategy guidance to departments.

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Minutes of all discussions and decisions taken for Corporate Governance purposes.

Information on unsuccessful proposals or tenders.

## 5.5 PM Authority

- To make all decisions, prioritization and allocation of any and all procurement related matters on behalf of the Cooperative.
- To be guided by the approved budget and within limits set by the Board from time to time.

## 5.6 Frequency of meetings

Meetings must be held periodically as directed by needs.

## 5.7 Secretarial and Administration

- All deliberations are to be minuted by the Manager.
- Purchases records and payments must be kept by the Accountant.

## 6 ASSET DISPOSAL

- PM shall be responsible for deciding on disposal and method of disposal of assets within the Specified Commodities list only. Any other asset shall be disposed on a written authority of the Board.
- The PM shall be expected to authenticate the need to dispose off any item or items as per the recommendations of departments.

### 7.1 Methods of disposals:

- Transfer to another cooperative or of a public entity with or without financial adjustment.
- Donation or giveaways to needy entities,
- Sale by public auction subject to a reserve price or otherwise.
- Destruction, dumping or burying.
- Trade-in.

## 7 CONSEQUENCE MANAGEMENT

It is important that for any policy to be effective, the consequences for non-adherence must be understood.

Non-adherence to the policy will be considered a very serious disciplinary offence and will be dealt with in terms of the Cooperative's disciplinary process.

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## 11.0 RECORD KEEPING

The Cooperative must retain all procurement and award documentation for a period of five years after the completion of a project / contract. These must include the originals of all tenders submitted, together with the corresponding tender dossiers and any related correspondence. All contracts are kept in a safe, preferable fireproof safe if available with the Cooperative offices. Contracts that have expired are kept for 5 years in the storeroom before destroyed. A Contract Register is kept up to date and stored by the Accountant.

## POLICY APPROVAL AND REVIEW

The Policy shall be approved by the Board and regularly reviewed to ensure that it is aligned with the Cooperative's business plan, economic and financial position or any other significant changes which affect the Cooperative.

## ADOPTION

It is the consensus of the Board of Directors that the rules as presented and modified shall form the written Procurement Policy of .....(Name of Cooperative) and shall be strictly followed by all stakeholders.

This Policy shall come into effect on this .....Day of .....20...

Signed;

\_\_\_\_\_

.....

Chairperson

Date\_\_\_\_/\_\_\_\_/ 20....

\_\_\_\_\_

.....

Secretary

Date\_\_\_\_/\_\_\_\_/ 20....

## APPENDIX A – SPECIFIED COMMODITIES

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**The following commodities may be sourced by the Procurement Management within the budget and limits set by the Board from time to time. It must be noted that not all entities centralise the procurement of each commodity to the same extent:**

Stationery  
Computer consumables  
Computer Hardware (Desktops/Laptops)  
Office automation  
Cellular  
Office Furniture  
Printing solutions  
Security  
Hygiene services  
Temporary/Permanent staffing  
Travel (air tickets/accommodation/car rental/conferencing/TMC)  
Legal services  
Advertising/Marketing  
Professional fees (IT contractors)  
Courier services  
Archiving/Paper destruction  
Catering services and refreshments  
TV Licenses  
Leasing  
Audio visual equipment  
Consumables.

\* The above list is indicative of current practice and is subject to continuous review.

## **APPENDIX B – VENDOR LIST**

This will be sourced through an open tender process:  
(List the products and services, and their vendors)

This policy was discussed and approved by the Board of Directors.

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President: .....

Vice-President: .....

Secretary: .....

Treasurer: .....

Operations Officer:.....

Date:.....

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## 8 DOCUMENT CONTROL

Draft (D)	Reviewed (R)	Approved (A)	
	Author	Reviewer	Authoriser
Signature Name Designation Date			
Signature Name Designation Date			
Signature Name Designation Date			