



# STEP BY STEP TO PROCUREMENT

## RWSSP-WN BRIEF 7-2016

### Updated September 2017

#### WHAT IS IN THIS BRIEF?

RWSSP-WN II has prepared this Brief and its Nepali language version to provide step-by-step clarity into the procurement process. The RWSSP-WN II Project Document states that *"major procurement (water supply & sanitation) will be carried out in a transparent manner at the lowest appropriate level (predominantly by WUSCs), accountable to water user groups. Public audits at the community level are among the key instruments. Financial flows will be as direct as possible"* (p.40). All the schemes supported by RWSSP WN II will be implemented by WUSC. This Brief is revised in the new local governance context based on the RWSSP-WN II Step-By-Step Manual (2017), and is supported by the Country Agreement between the governments of Nepal and Finland for the implementation of RWSSP-WN II, and the related Project Document. The WUSC has the following options:

Mode 1: Direct Purchase

Mode 2: Competitive Quotation

Mode 3: Tendering Process

This Brief covers Modes 1 and 2. For Mode 3, WUSC needs to follow the

#### Direct Purchase

- Up to NPR 100,000
- Less than NPR 20,000 PAN is also acceptable

#### Competitive Quotation

- Open quotation: NPR 100,000 - NPR 300,000
- Sealed quotation: over NPR 500,000

#### Tender

- Exceptional cases where WUSC decides that it cannot proceed with its procurement

#### Who is this Brief for?

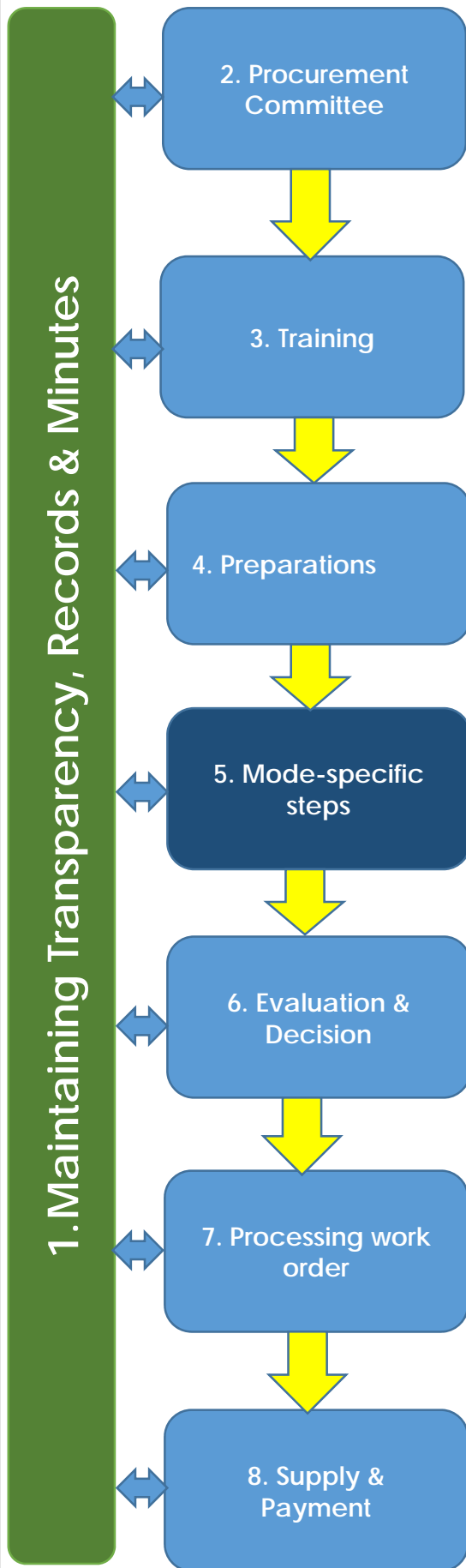
The Nepali version of this Brief will serve the interests of:

- Water Users and Sanitation Committees (WUSCs) & their Procurement Committees
- Municipality WASH Management Committees, Municipality WASH unit staff and other stakeholders, including monitoring teams and auditors
- Suppliers, Chambers of Commerce and other interested parties

The English version of this Brief serves the interests of:

- Non-Nepali speaking sector specialists and those interested in how the principles of good governance are translated into action in a rural water and sanitation project

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## Procurement Step by Step

There are general steps that apply to any mode of procurement:

1. Maintaining transparency, records and minutes is essential at all stages regardless of the size of the procurement.

2. The Procurement Committee is formed by the users' mass meeting. It comprises of three (3) members of which one is from WUSC member and two users; with at least one female member. The mass meeting nominates one Coordinator among the three Procurement Committee members. The mass meeting agrees on the mode of the procurement process (Direct purchase, Competitive Quotation or Tender). WUSC meeting can decide and minute as direct purchase up to NPR 100,000.

3. WUSC and Procurement Committee must receive training on the procurement process before procuring construction materials. The training includes existing procurement modes & processes as relevant at the local level, and technical specifications and quality standards of pipe, cement and other construction materials.

4. The technical staff of the Municipality WASH Unit assigned to the scheme, together with the Technical Support Unit as needed, supports the WUSC to prepare quotation forms with detailed specifications of materials to be procured following the scheme design report.

**5. WUSC and Procurement Committee follow the steps for their selected mode of procurement process.** These are also described in the Step-By-Step Manual 2017.

6. WUSC Chair or Coordinator of Procurement Committee signs the quotation/tender forms with WUSC stamp before issuing it to the Suppliers.

7. WUSC receives the materials, and lists them as consumable and non-consumable in the WUSC's store records/stock register. Sample is available in the WUSC Operational Manual 2070 B.S., Annex 12 & 13.

8. WUSC Proceeds to payment by Account Payee Draft/Cheque.

9. WUSC cannot procure more than the said limit once or more times with the same individual, firm, company within one fiscal year.

Note: In case the Monitoring Team informs Municipality WASH Management Committee about mishandling or misuse of fund during procurement, the Municipality Executive Officer can request the concerned bank authority to suspend the WUSCs bank account. WUSC's suspended bank account can only be made operational on the written request of the Municipality Executive Officer.

## For Open Quotation (NPR 100,000 – 500,000)

1. WUSC meeting identifies the need to procure items costing NPR 100,000 – NPR 500,000. WUSC minutes the decision to start the open quotation procurement process in the WUSC Minutes book (or register book). Considering the volume and cost of the procurement, WUSC also decides whether the Procurement Committee can prepare the comparison chart and proceed with the procurement themselves, or whether WUSC and the assigned persons from the Municipality WASH Unit/Technical Support Unit need to be present when the collected quotations are opened.
2. WUSC delegates the authority to the Procurement Committee regarding all procurement steps as described below.
3. The Procurement Committee collects open quotations from at least three Suppliers in a closed envelope. The supplier fills the rate both in figures and words in the quotation and the filled quotation must have the stamp of Supplier and signature in every page. The supplier submits the filled quotation with the copies of Company's registration, VAT registration and Tax clearance certificate of previous fiscal year.
4. The Procurement Committee members sign these closed envelopes before opening them. This opening can be done in the same market area, if the scheme area is far from the market and if WUSC decides so. In this case, 66% of the procurement committee members should be present.
5. The Procurement Committee members prepare the comparison chart (for sample, WUSC Operational Manual 2070 B.S., Annex 7) and sign it. If the suppliers price found higher than the approved estimate rate, the Procurement Committee has the option for further negotiation of the price, with the lowest bidder for the package, to fall within the approved rate (without compromising the quality). If the lowest bidder does not agree, and provides written proof, then the Committee can negotiate with the second lowest bidder, to come to the amount within the approved estimated cost. The committee procures the materials and also negotiates with the selected Supplier for transportation of materials to the road head, and may decide the mode of payment.
6. The documents as per the filled quotation and the comparison chart should be approved by the WUSC later on.
7. If WUSC decides #1 option to involve M-WASHunit/Technical support unit staff, the Quotations will be opened, comparison chart prepared and the lowest bidders identified together with assigned persons from the Municipality WASH Unit/Technical Support Unit. The Procurement Committee members must sign the prepared comparison chart. The Procurement Committee have the option for further negotiation of the price with the lowest bidder for the package, to be within the approved rate, if the submitted price of suppliers more than approved estimate rate. If the lowest bidder does not agree, and provides written proof, then the Committee can negotiate with the second lowest bidder, to come to the amount within the approved estimated cost. Based on the lowest price (without compromising the quality), the Procurement Committee selects the Supplier or manufacturer, and recommends it to WUSC for approval and purchasing of materials. The Procurement Committee must also negotiate with the selected Supplier for transportation of materials to the road head, and may decide the mode of payment.
8. The Municipality WASH Unit shall release the first installment (maximum up to 50% of agreement amount) from the Municipality WASH Fund to the WUSC's account once the quotation is approved by WUSC.
9. The minutes of the WUSC or the Procurement Committee must clearly describe all the processes/activities carried out during procurement process. These minutes must be available during the WUSC meetings, scheme monitoring visits and related public audits.
10. The technical staff assigned to the scheme check/s the quality, quantity and rates of materials in received bills/invoices (should be same as specified in approved quotation/agreement). This can also be done at the site/road head/point of delivery. The Supplier is responsible to take back any disqualified materials.
11. The WUSC receives the materials, and lists them as consumable and non-consumable in WUSC's store records/stock register. Sample is available in the WUSC Operational Manual 2070 B.S., Annex-12 & 13.
12. WUSC's proceeds to pay the Supplier and makes payments by Account Payee Drafts/Cheques.

## For Sealed Quotation (over NPR 500,000)

1. WUSC meeting decides to publish procurement notice and prepare Standard Quotation Form. The notice and Standard Quotation Form are submitted also to the Municipality WASH Unit. The Municipality WASH Unit shall put the notice to public information board. The sample of procurement notice and conditions to be included in the notice are given in WUSC Operational Manual 2070 B.S. Annex 5. The following information should be clearly mentioned in notice:
  - Place to receive/purchase quotation and fee, if provisioned
  - Process in submitting the sealed quotation
  - Place to submit the sealed quotation
  - Date, time and place to open the sealed quotation
2. WUSC delegates all authority to the Procurement Committee regarding all steps of procurement starting from the notice publication to selection and recommendation of the Suppliers. For the first bidding period, the duration of the procurement period will be 15 days. If fewer than three Suppliers submit requests to purchase quotations within the duration, the Procurement Committee publishes the procurement notice a second time, following the WUSC meeting decision, for 15 days. If the second notice also fails to lead to the required minimum three quotations, upon the decision of WUSC meeting, the Procurement Committee can proceed to evaluate the existing bids (whatever the numbers of Suppliers' bids) received.
3. The Procurement Committee ensures that the procurement notices are published in local, regional or national level daily newspaper/s, and publicly circulated at least to the following institutions/organizations: 1) Municipality and DCC offices; 2) Offices of chambers of commerce & industry district chapter; 3) Association of Suppliers, district chapter, and 4) other relevant places.
4. The WUSC may decide to issue the quotation formats to additional outlets, in close coordination with the Municipality WASH Unit (to be clearly mentioned while publishing the procurement notice in the newspaper).
5. The Supplier requests the quotation form in written with the copies of the company's registration, PAN & VAT registration and tax clearance certificate of previous fiscal year.
6. The Procurement Committee or the responsible person decided by Procurement Committee issues the quotation form with or without charge, as decided in WUSC meeting.
7. The Procurement Committee keeps a record of issued quotation forms and submitted bids in WUSC or Procurement Committee minute book.
8. At least three Suppliers should submit the sealed quotation with rates in figures and words within the bidding period (if there is a difference in figures and word, word amount will be valid). The filled quotation must have the stamp of Supplier and signature in every page, be sealed in an envelope and submitted to the place as per the notice.
9. The Procurement Committee members sign on the sealed envelopes before opening them. This is done at the beginning of the quotation opening meeting in the presence of WUSC members and the assigned persons from the Municipality WASH Unit/Technical Support Unit if relevant. The interested representatives of the Suppliers who submitted their bid, may be present during the opening of sealed quotations. If the rates of suppliers are double written or corrected, these should be well minutes and signed by the all Committee members at the opening.
10. The Procurement Committee, with the assigned persons from the Municipality WASH Unit/Technical Support Unit if relevant, prepare the comparison chart (for sample, see the WUSC Operational Manual 2070 B.S., Annex 7) and identifies the lowest bidders based on this. The Procurement Committee members must sign the prepared comparison chart. The Procurement Committee may have the option for further negotiation of price, with the lowest bidder for the package, to fall within the approved rate (without compromising the quality) if the submitted prices by the suppliers higher than approved estimate rates. If the lowest bidder does not agree, and provides written proof, then the Committee can negotiate with the second lowest bidder, to come to the amount within the approved estimated cost.

## Continued: For Sealed Quotation (over NPR 300,000)

11. On the basis of least price for the whole package (without compromising the quality), the Procurement Committee selects Supplier/manufacturer and recommends to WUSC for purchase of materials. The Committee may also negotiate with the selected Supplier for transportation of materials to the road head and may decide the mode of payment.
12. WUSC meeting approves the bid based on the recommendation of procurement committee.
13. WUSC invites the selected Supplier to prepare and sign the agreement by both parties. In the procurement agreement, the duration should be clearly noted. The WUSC and Supplier keep one copy of the signed agreement and a copy will be submitted to Municipality WASH Unit (the sample of the procurement agreement is given in the WUSC Operational Manual 2070 B.S. Annex 8).
14. The WUSC provides the work order to the Supplier/s (for sample, see the WUSC Operational Manual 2070, Annex 9).
15. The minutes of the WUSC or the Procurement Committee must clearly describe all the processes/activities carried out during procurement process. These minutes must be available during the WUSC meetings, scheme monitoring visits and related public audits.
16. The Supplier delivers the materials to the place as specified in the Agreement.
17. The technical staff assigned to the scheme check the quality, quantity and rates of materials in received bills/invoices (should be same as specified in approved quotation/agreement). This can also be done at the site/road head/point of delivery.
18. The Supplier is responsible to take back any disqualified materials.
19. WUSC receives the materials, and lists them as consumable and non-consumable in the WUSC's store records/stock register (sample is available in the WUSC Operational Manual 2070 B.S. Annex 12, 13).
20. WUSC proceeds to pay the Supplier. It is recommended that the Suppliers receive payments by Account Payee Drafts/Cheques.

### DEFINITIONS

- a. **Scheme:** Any water supply and sanitation activity, planned to achieve a certain goal within a fix geographical boundary, duration and cost.
- b. **WUSC:** Water users' and sanitation committee elected/nominated by beneficiary group through a democratic process for planning, implementation, operation and maintenance of a water supply a sanitation scheme (Public/Institutional/School toilet as well), which is registered in the District Wa Resource Committee according to the Water Resource Act 2049. The WUSC is the representative of the scheme Users.
- c. **Project:** Rural Water Supply and Sanitation Project in Western Nepal Phase II
- d. **Public Audit:** A mass meeting (process), organized according to the Public Audit Guideline of the project's Step by Step Manual 2070 to inform, assess and evaluate the goal, objective, working pro results and achievements including income and expenditure of the water supply scheme impleme by the WUSC.
- e. **Open Quotation:** A Quotation form directly provided to suppliers, firms and companies by the WUSC/procurement committee where the suppliers, firms and companies fill the rates of construc materials and submit it to the WUSC/procurement committee in a closed envelope. The amount o procurement is within NPR. 25,000 to NPR. 300,000.
- f. **Sealed Quotation:** A quotation form submitted by interested suppliers, firms and companies in a s envelope with their unit rates of construction materials, in accordance with the procurement noti WUSC. The amount of procurement is more than NPR 300,000.
- g. **Procurement:** Materials purchased by WUSC from the supplier for construction of Water Supply Sanitation Schemes



## REFERENCES

- WUSC Operational Manual 2070 B.S, RWSSP-WN II
- Government of Nepal: Public Procurement Act, First Revision 2073 (2017)
- Government of Nepal: Public Procurement Regulation, Fifth Revision 2073 (2017)
- RWSSP-WN II Project Document (Revised), Final, June 2014
- Agreement between the governments of Finland and Nepal on the Co-operation in the Completion Phase of RWSSP-WN II (2013 and for the extension, 2017)
- RWSSP-WN II Step By Step Manual, (Nepali and English), 2017
- Ministry for Foreign Affairs of Finland: Anti-Corruption Handbook for Development Practitioners, 2012



## RESULTS INDICATORS FOR RWSSP-WN II

This brief relates to the RWSSP-WN II Result 2 (Component 2 Rural Water Supply): Access to safe, functional and inclusive water supply services for all achieved and sustained in the project working GP/NPs; and the following indicators:

- 2.2 **Institutional capacity:** # of WUSCs supported by the Project fund are inclusive and capacitated to provide sustainable services. WUSC defined as functional fulfils the following criteria:
- a) WUSC is registered and has statute
  - b) O&M regulation prepared and applied
  - c) Adequate water tariff defined and collected
  - d) VMW trained and regularly working as needed
  - e) WUSC has proportional representation of caste/ethnic/social groups and about half are women
- 2.3 **Improved services:** # of water supply schemes supported by the Project fund provide improved water supply services for previously unserved households in the programme municipalities (previously unserved means no access to improved water supply). Scheme defined as improved and functional when:
- a) Improved: Piped
  - b) Accessible: located on premises
  - c) Reliability: Available when needed
  - d) Quality: free from microbial contamination

Rural Water Supply and Sanitation Project in Western Nepal Phase II is a bilateral development cooperation project funded by the governments of Nepal and Finland, and implemented through local governments and users' groups **under the Department of Local Infrastructure Development and Agricultural Roads (DoLIDAR), Ministry of Federal Affairs and Local Development**. RWSSP-WN II works in 14 districts in Western and Mid-Western development regions in Nepal.