



Procurement Policies

&

Procedures Manual

Approved on:	2024-January-31st
Approved by:	Board of Directors
Version:	1
Created by:	Procurement and Finance Department
Next review:	2025

DOCUMENT HISTORY

Date	Version	Name & Designation	Issues/Comments
27 th March 2019	1 st version	Javed Iqbal	Initiated draft
27 th March 2020	2 nd version	Abeera Manzoor	Revised after review
10 th March 2023	3 rd version	Abeera Manzoor	Revision made
15 th March 2024	4 th Version	Procurement and Finance department with consultation of BDO Ebrahim and Co.	Revision made

Table of Contents

1. INTRODUCTION	10
1.1. BACKGROUND.....	10
1.2. REGISTRATION & ACCREDIATION.....	10
1.3. OUR VISION: "Children Without Borders".....	10
1.4. OUR MISSION.....	10
1.5. REVISION AND UPDATES.....	11
1.6. USE OF KnK JAPAN’S TAX-EXEMPT STATUS.....	11
1.7. HIERARCHY.....	11
2. PROCUREMENT OBJECTIVES, PURPOSE, FRAMEWORK AND PRINCIPLES	12
2.1. OBJECTIVES.....	12
2.2. PURPOSE.....	13
2.2.1. Policy.....	13
2.2.2. Procedure.....	13
2.2.3. Scope.....	13
2.3. FRAMEWORK.....	13
2.4. PROCUREMENT PRINCIPLES.....	13
3. ETHICAL STANDARDS	16
3.1. Standards of Conduct.....	16
3.1.1. Conflict of Interest.....	16
3.2. Ethical Behavior of Vendors and the Supplier Code of Conduct.....	17
4. PROCUREMENT PROCESS	18
4.1. PROCUREMENT OVERVIEW.....	18
4.1.1. PROCUREMENT OUTLINE.....	18
4.2. REQUISITIONER.....	18
4.3. PROCUREMENT APPROVING AUTHORITY.....	19
4.4. REVIEW COMMITTEE.....	19
4.4.1. CONTRACT AWARDS.....	20
4.4.2. ACCOUNTABILITY.....	20
4.4.3. SEGREGATION OF DUTIES.....	20
4.5. VENDOR REGISTRATION AND MANAGEMENT.....	22
4.5.1. VENDOR REGISTRATION.....	22
4.5.2. VENDOR REGISTRATION PORTAL.....	22
4.5.3. CRITERIA FOR VENDOR REGISTRATION.....	23
4.5.3.1. PREREQUISITES FOR ELIGIBILITY.....	23

4.5.4. VENDOR REGISTRATION MAINTENANCE AND UPDATING DOCUMENTATION...	24
4.5.4.1. EVALUATION OF VENDOR REGISTRATION APPLICATIONS.....	25
4.5.5. VENDOR REVIEW COMMITTEE	25
4.5.5.1. Review by Vendor Committee Personnel.....	26
4.5.6. VENDOR SANCTIONS.....	26
5. Demand Planning, Acquisition Planning, Procurement.....	28
5.1. DEMAND AND ACQUISITION PLANNING.....	28
5.2. PROCUREMENT STRATEGY.....	28
5.3. PROCUREMENT PLANNING AND SOURCE SELECTION.....	28
5.4. REQUIREMENT DEFINITION.....	29
5.4.1. CHARACTERISTICS OF WELL-DEFINED REQUIREMENTS.....	30
5.4.2. TECHNICAL SPECIFICATIONS.....	30
5.4.3. TERMS OF REFERENCE (TOR).....	30
5.4.4. STATEMENT OF WORK (SOW).....	31
6. SOURCING	32
6.1. SOURCING OF VENDORS.....	32
6.2. MARKET RESEARCH.....	32
6.3. ADVERTISEMENT FOR BUSINESS OPPORTUNITY.....	33
6.4. PREQUALIFICATION OF VENDORS.....	33
6.5. CREATION OF LISTS OF INVITEES.....	34
6.6. APPROVAL OF LIST OF INVITEES.....	34
6.7. AMENDMENTS TO LIST OF INVITEES.....	34
6.8. SOURCING OF/COLLABORATION WITH LOCAL PARTNERS.....	35
6.8.1. STEPS FOR COLLABORATION WITH LOCAL PARTNERS.....	35
7. SOLICITATION.....	37
7.1. OVERVIEW.....	37
7.2. COMPETITION.....	37
7.2.1. INTERNATIONAL COMPETITION.....	37
7.3. SOLICITATION METHODS.....	38
7.3.1. FORMAL AND INFORMAL METHODS.....	38
7.3.2. BIDDING THRESHOLDS.....	39
7.3.2.1. INVITATION TO BID (ITB).....	42
7.3.2.2. REQUEST FOR PROPOSAL (RFP).....	44
7.3.2.3. REQUEST FOR QUOTATION (RFQ).....	46
7.3.2.4. DIRECT PURCHASE.....	48
7.4. SOLICITATION DOCUMENTS.....	49
7.4.1. OVERVIEW.....	49

7.4.1.1. LETTER OF INVITATION.....	50
7.5. Site Visits and Bidders’ Conferences.....	52
7.5.1. SITE VISITS.....	52
7.5.2. BIDDERS’ CONFERENCES.....	54
7.5.3. Mandatory Site Visits and Mandatory Bidders’ Conferences.....	55
7.6. PARTIAL BIDS/SPLIT AWARDS.....	56
7.7. ADVANCE SECURITY PAYMENT.....	56
7.8. EVALUATION CRITERIA.....	56
7.8.1. PRELIMINARY SCREENING.....	57
7.8.2. MANDATORY AND TECHNICAL CRITERIA.....	57
7.8.3. RATING TECHNICAL CRITERIA.....	59
7.8.4. FINANCIAL CRITERIA.....	59
7.8.4.1. LIFE CYCLE COST.....	60
7.8.4.2. EVALUATION CRITERIA FOR JOINT VENTURES.....	61
7.9. REQUISITE FORMS/SCHEDULES FOR BIDDERS.....	61
7.9.1. BID/ADVANCE PAYMENT/PERFORMANCE SECURITY FORM AND REQUIREMENTS	62
7.9.2. BID SECURITY FORMS AND REQUIREMENTS.....	62
7.9.3. PERFORMANCE SECURITY REQUIREMENTS.....	62
7.9.4. FORM OF CONTRACT.....	63
7.10. VENDOR INVITATION.....	63
7.11. AMENDMENTS TO SOLICITATION DOCUMENTS.....	64
7.12. CANCELLATION OF SOLICITATION PROCESS.....	64
7.13. DIRECT CONTRACTING UNDER SOLE SOURCE.....	64
7.14. SOLICITATION OF OFFERS AGAINST LONG-TERM AGREEMENTS.....	65
7.15. COMMUNICATION WITH VENDORS.....	65
7.16. PROPRIETARY PRODUCT OR SERVICE.....	66
7.17. PREVIOUS DETERMINATION OR NEED FOR STANDARDIZATION.....	67
7.18. NO SATISFACTORY RESULTS FROM PREVIOUS FORMAL METHODS OF SOLICITATION.....	67
7.19. EMERGENCY SCENARIO (EXIGENCY).....	68
7.20. UNABLE TO EVALUATE SERVICES OBJECTIVELY.....	68
8. MANAGEMENT OF SUBMISSION.....	69
8.1. TENDER OPENING COMMITTEE.....	69
8.2. RECEIPT AND SAFEGUARDING OF SUBMISSIONS.....	69
8.2.1. RECEIPT AND SAFEGUARDING OF SUBMISSIONS DELIVERED BY COURIER	70
8.3. MODIFICATION AND WITHDRAWAL OF SUBMISSION MODIFICATION:.....	70

8.4. MODIFICATION AND WITHDRAWAL OF BIDS POST-SUBMISSION.....	71
8.5. LATE SUBMISSIONS.....	71
8.6. UNSOLICITED SUBMISSIONS.....	72
8.7. OPENING AND RECORDING OF SUBMISSIONS.....	72
8.7.1. ATTENDANCE AT TENDER OPENINGS.....	72
8.7.2. OPENING AND POST-OPENING OF BIDS.....	73
8.7.3. OPENING AND POST-OPENING OF PROPOSALS.....	73
8.7.4. OTHER POST-OPENING PROCEDURES.....	74
9. EVALUATION OF SUBMISSION.....	76
9.1. OVERVIEW.....	76
9.2. EVALUATION COMMITTEES.....	76
9.3. EVALUATION CRITERIA.....	77
9.4. EVALUATION METHODOLOGY.....	77
9.4.1. PRELIMINARY SCREENING.....	80
9.4.2. TECHNICAL EVALUATION.....	80
9.4.3. FINANCIAL EVALUATION.....	81
9.5. FURTHER ASPECTS OF EVALUATION.....	83
9.5.1. CLARIFICATIONS FROM VENDORS.....	83
9.5.2. MATERIAL DEVIATIONS.....	84
9.5.3. ERRORS IN PRICE.....	85
9.5.4. LOW BALLING.....	85
9.5.5. OFFERS RECEIVED IN SITUATIONS OF DIRECT CONTRACTING OR SOLE SOURCING.....	85
9.5.6. COMPLAINTS AND RESOLUTIONS.....	86
9.5.7. INDICATIONS OF POTENTIAL PROSCRIBED PRACTICES.....	86
9.6. NEGOTIATIONS.....	87
9.6.1. NEGOTIATION STRATEGIES.....	87
9.7. ULTIMATE DELIBERATION AND RECOMMENDATION FOR AWARDS.....	88
10. REVIEW BY COMMITTEES ON CONTRACTS.....	89
10.1. MANDATE OF COMMITTEE ON CONTRACTS.....	89
10.2. SUBMISSION TO REVIEW COMMITTEE ON CONTRACTS.....	89
10.3. EX POST FACTO PRESENTATIONS TO REVIEW COMMITTEE.....	89
11. AWARDS.....	91
11.1. FINALIZATION.....	91
11.2. PROTOTYPE INSPECTIONS.....	91
11.3. VENDOR NOTIFICATION, DEBRIEFING AND PROTEST.....	91
11.4. DEBRIEF PROCEDURES.....	92

11.5. AWARD REVIEW BOARD.....	92
12. CONTRACT FINALIZATION AND ISSUANCE.....	93
12.1. CONTRACT PREPARATION.....	93
12.1.1. LETTER OF INTENT.....	93
12.1.2. POST FINALIZATION DISCUSSION WITH VENDORS.....	93
12.1.3. ADVANCE AND PROGRESS PAYMENTS.....	94
12.1.4. PERFORMANCE SECURITIES.....	94
12.1.5. SIGNATURE, ISSUANCE AND DOCUMENTATION.....	94
12.2. STANDARD CONTRACT ELEMENTS.....	95
12.2.1. INSTRUMENT OF AGREEMENT.....	95
12.2.2. TECHNICAL SPECIFICATIONS, TOR, SOW.....	96
12.3. LONG-TERM AGREEMENT.....	96
12.3.1. BENEFITS AND RISKS OF ESTABLISHING LTAs.....	97
12.4. TYPES OF LTAs.....	97
12.5. CREATION OF NEW LTA.....	98
12.6. DURATION OF LTAs.....	98
12.7. CALL-OFF ORDERS AGAINST LTA.....	99
12.8. BLANKET PURCHASE ORDER.....	99
12.9. CALL-OFF ORDERS AGAINST A BPO.....	100
13. LOGISTICS.....	102
13.1. GENERAL PRINCIPLES AND BEST PRACTICES.....	102
13.2. INTERNATIONAL COMMERCIAL TERMS (INCOTERMS).....	104
14. CONTRACT MANAGEMENT.....	105
14.1. CONTRACT ADMINISTRATION.....	105
14.2. VENDOR PERFORMANCE APPRAISAL.....	106
14.3. DISPUTE RESOLUTION.....	107
14.4. PAYMENTS.....	108
14.5. TAXES.....	108
14.6. AMENDMENTS, EXTENSIONS AND RENEWAL.....	109
14.7. SUBCONTRACTORS.....	109
14.8. CONTRACT COMPLETION.....	109
14.9. HANDLING AND MAINTENANCE OF FILES.....	110
15. SUSTAINABILITY AND RISK MANAGEMENT.....	112
15.1. SUSTAINABILITY CONSIDERATIONS.....	112
15.1.1. SUSTAINABILITY STANDARDS FOR CONTRACTORS.....	112
15.1.2. GENDER POLICY APPLICABLE TO CONTRACTORS.....	112
15.1.3. CHILD LABOUR POLICY APPLICABLE TO CONTRACTORS.....	113

15.2. RISK MANAGEMENT.....	113
15.3. EMERGENCY SITUATIONS.....	115
16. DOCUMENTATION.....	118
16.1. DOCUMENTATIONS (RECORDS).....	118
17.POLICY WAIVER CLAUSE.....	120
17.1.CONDITIONS FOR WAIVER:.....	120
17.2.DOCUMENTATION AND JUSTIFICATION:.....	120
17.3.APPROVAL PROCESS:.....	121
17.4.REPORTING AND MONITORING:.....	121
ABBREVIATIONS	122

1. INTRODUCTION

1.1 BACKGROUND

Kokkyo naki Kodomotachi (KnK), founded in Japan in 1997, is a global humanitarian organization dedicated to assisting underprivileged children and communities across seven countries, including Pakistan. With a focus on non-discrimination and inclusion, KnK has been actively partnering with the Government of Pakistan and its institutions in disaster response and rehabilitation since 2005. KnK responded to all major disasters in Pakistan such as the 2005 earthquake, the 2010 floods, the 2009 Swat crisis, the Mirpur earthquake, the COVID-19 emergency, and the 2022 floods. The quantum and quality of KnK responses to these humanitarian crises has earned KnK a commendable reputation and the appreciation of government, local communities, and various stakeholders.

1.2 REGISTRATION & ACCREDITATION

The KnK Japan commitment to transparency and accountability is clearly demonstrated through its official registrations with the Ministry of Interior (MOI) Pakistan, Economic Affairs Division (EAD) Pakistan, and certification as a Non-Profit Organization (NPO) by the Pakistan Center for Philanthropy (PCP). Furthermore, KnK Japan's dedication to excellence is underscored by its accreditation with esteemed organizations, International Organization for Standardization (ISO) ISO-9001 Quality Management System, ISO-26000 Social Responsibility System, and the Earthquake Reconstruction and Rehabilitation Authority (ERRA). These accreditations reinforce KnK's organizational capacity and unwavering commitment to upholding the highest standards in humanitarian work.

KnK Japan's extensive portfolio of registrations and accreditations serves as a testament to its unwavering dedication to delivering effective and efficient humanitarian support. Their steadfast adherence to internationally recognized standards and commitment to both local and global communities position them as a formidable organization in the field of disaster relief and humanitarian assistance.

1.3 OUR VISION: "Children Without Borders"

At KnK Japan, we envision a world where:

- Every child has the freedom to learn, dream, and thrive.
- Pakistan becomes Disaster resilient.
- Children are active stewards of a sustainable and inclusive future. Together, we're building a boundary-free world where each child realizes their potential amidst safety, diversity, and ecological harmony.

1.4 OUR MISSION

In alignment with our “Children Without Borders” vision, KnK Japan is committed to:

- **Empowering Potential:** We are dedicated to provide inclusive educational pathways that empower children to learn, dream, and become active members of society. Our mission is to remove the boundaries that hinder a child’s growth and unlock their full potential.
- **Strengthening Resilience:** We strive to deliver targeted support to create communities that can withstand social and climate adversities. Our mission is to fortify these communities, ensuring they are resilient in the face of challenges and disasters.
- **Nurturing Sustainability:** We are focused on cultivating environmental consciousness and inclusivity among children, thereby laying the groundwork for a more sustainable and equitable future. Our mission is to foster a sense of responsibility towards the planet and ensure a harmonious coexistence with nature.

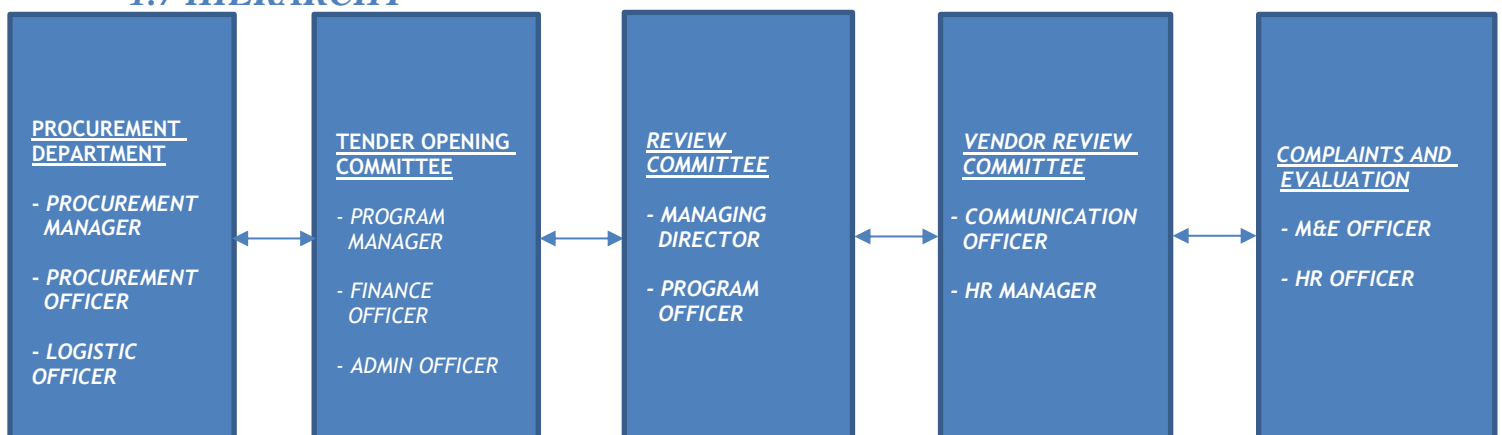
1.5 REVISION AND UPDATES

This Procurement manual will be amended, revised, and supplemented yearly but as well as when required, by Country Representative and Head Office to meet new needs, status, conditions and requirements of different donors. An important part of this updating process depends upon the comments, information, and suggestions received from the user. The users are encouraged to give suggestions and these suggestions will be forwarded to KnK Japan management consideration and incorporation in the manual.

1.6 USE OF KnK JAPAN’S TAX-EXEMPT STATUS

KnK Japan, when making purchases to eliminate local duties and taxes, should use the organization's tax-exempt status, Government of Pakistan allowed the zero-rated sales tax on the goods that shall be purchased for relief & rehabilitation of deprived people in Pakistan. Therefore, wherever possible procuring items that include the sales tax, KnK Japan has a right and will use this facility to better use of the donors) funds. KnK Japan’s employees are not permitted / authorized to use the organizations' tax-exempt status for making personal purchases to eliminate domestic sales tax.

1.7 HIERARCHY



2. PROCUREMENT OBJECTIVES, PURPOSE, FRAMEWORK AND PRINCIPLES

Procurement is the overall process of acquiring goods, works, services and consultancies through purchase, hire or rental. Actions undertaken to carry out procurement are defined as procurement activities. These include all activities from needs identification, planning, forecasting, sourcing, and solicitation of offers, evaluation and review up to award of contracts.

A specified series of procurement activities, which have to be executed in the same manner in order to obtain the same result under the same circumstances, is thereby defined as procurement PROCEDURE.

2.1 OBJECTIVES

The overall objective of manual is to add value to organization and its stakeholders for fulfilling objectives regarding procurement. Undertaking quality procurement means carrying out activities in a manner that best enable an organization to attain general and specific objectives of programs/project(s) in compliance with applicable procurement procedure. The process should ensure that goods, works, services and consultancies acquired by the organization are obtained in a timely fashion, at the most competitive price and are of the required quality and quantity. The document has been designed to streamline procurement process by specifying relevant controls, defining lines of responsibility amongst respective departments, and ensuring consistency with the existing control framework over the organization's business processes.

This manual seeks to achieve the following broad objectives:

1. To elaborate the need for efficient and transparent procurement process;
2. To specify various types of procurement methods;
3. To indicate appropriate levels of transparency and efficiency through standards and guidelines.
4. To formalize policies, processes, and rules.
5. To ensure maintenance of proper sets of documentation; and
6. To guarantee adherence to donor specific requirement regarding procurement.

2.2 PURPOSE

2.2.1 POLICY

The primary purpose of establishing a procurement function is to ensure that needs of different departments/projects are met in a timely and effective manner. Procurement policies, goals, standards and processes, mentioned later in this manual, also focus and support this core purpose.

2.2.2 PROCEDURE

This manual describes general intent of the Procurement Department (PD) and Procurement Committee (PC) for adopting procurement policies and PROCEDURE. By analyzing and applying these specific policies and PROCEDURE, PC shall get clear guidance upon procurement related issues for acquisition of goods, works, services and consultancies; to meet projects and departmental needs.

2.2.3 SCOPE

Procurement PROCEDURE as defined in this manual is applicable for:

- i. Goods (Inventory items, assets, consumables and supplies);
- ii. Works
- iii. Services
- iv. Consultancies (An intellectual input from a consultancy firm or an individual consultant)

Unless specifically required by a donor in writing, the guidelines of organizational Procurement policy shall prevail.

2.3 FRAMEWORK

Staff members are bound to comply with the Policies developed in this Procurement Manual (PM), Rules and all other relevant administrative issuances pertaining to procurement.

Requests for clarifications to any of the provisions of the PM shall be referred to the Procurement Director (PD);

2.4 PROCUREMENT PRINCIPLES

The following general principles shall be given due consideration:

- I. Best Value for Money
- II. Fairness and Transparency through Competition

III. Economy and Effectiveness

I. BEST VALUE FOR MONEY

Best value for money implies that there exists a trade-off between price and performance which provides greatest overall benefit under a specified selection criterion. Application of this principle in procurement process means selection of an offer which presents optimum combination of factors such as appropriate quality, timely delivery of goods, works, services, life-cycle costs and other parameters that best meet defined needs. It is not necessarily the same as selecting the lowest price option, but rather representing the best return on investments; by taking into consideration the evaluation criteria specified in the solicitation/bidding documents. It requires an integrated assessment of technical, commercial, organizational and pricing factors in light of their relative significance. In addition to this, social, environmental, and strategy objectives defined in the legal agreement with the client must also be taken into account. The principle of best-value-for-money is applied throughout the procurement process in order to attract the offer that most effectively meets the stated requirements of the end user.

In order to obtain best value for money, one should:

1. Maximize competition;
2. Simplify the tendering process while minimizing financial risk factors for the organization;
3. Carefully establish the evaluation criteria (in order to select the offer with the highest expectation to meet client's needs in accordance with the evaluation parameters set in the tender documents);
4. Consider all costs (including those other than the direct ones; e.g., life cycle costs, maintenance costs, sustainable procurement considerations);
5. Ensure impartial and comprehensive evaluation of offers in a timely manner; and
6. Ensure selection of the contractor whose offer enjoys the highest degree of realism and whose performance is expected to best meet specified requirements at the lowest possible cost to the organization.

II. FAIRNESS AND TRANSPARENCY THROUGH COMPETITION

Competition is the basis for fairness and transparency in the procurement processes. No restriction should be placed on contractors participating in competition. Standard policies and PROCEDURE should be evenly applied for both principal and alternative methods of procurement. In addition to that, RFP/RFQ and evaluation criteria should not be biased towards a particular contractor. To achieve the best value for money, the procurement must be conducted on a basis of clear and appropriate regulations, rules and PROCEDURE; applied consistently to all potential contractors. The manner, in which the procurement process is

carried out, must provide an assurance of fairness of process to all internal and external stakeholders of the organization.

III. ECONOMY AND EFFECTIVENESS

Economy and effectiveness refer to the extent to which organization is successful in carrying out its procurement operations, ensuring the right quantity and quality at the right time and at the right price, and also the extent to which overall costs of conducting the procurement process is minimized in the interest of the organization.

3. ETHICAL STANDARDS

3.1 STANDARDS OF CONDUCT

All PD's Staff must uphold the highest ethical standards, protect integrity, and ascertain fairness and transparency in the procurement process. Staff members should refrain from any action which might adversely reflect on their status, independence, and impartiality that are required by that status.

Procurement Officials are obligated to minimize the potential risks of conflicts of interest, fraud, and corruption throughout the entire acquisition process. This involves implementing measures to identify such issues and employing appropriate responses to prevent them. All staff members engaged in procurement for the organization must refrain from disclosing proprietary and source selection information to unauthorized individuals, both before and after the selection and contracting process.

Proper standards of conduct must be enforced during emergency situations, where the pressure to achieve rapid results may increase the risks of actual or possible conflicts of interest, fraud, or corruption.

3.1.1 CONFLICT OF INTEREST

To prevent conflicts of interest, staff members with a financial stake in a bidder are not allowed to participate in any procurement process involving that bidder. Financial interest encompasses ownership interests like stocks or stock options but excludes passive investments in institutional funds. It also includes various forms of income, such as consulting fees, salaries, allowances, or dividends. If a staff member, involved in an official capacity, has a financial interest in a profit-making business relevant to their duties, they must disclose it to the Head of Office and work towards resolving the conflict in the best interests of the Organization.

Employees with a personal or professional interest in a bidder are forbidden from participating in the acquisition process. These interests encompass affiliations with organizations where the staff member, alone or with an immediate family member, has controlling influence. This includes various legal entities like corporations, partnerships, trusts, or nonprofits, organized for profit, non-profit, or charitable purposes. It extends to executive positions, board memberships, or roles with significant responsibilities in the bidder's operations. Staff members engaged in the acquisition process must promptly inform the Head of Office of any potential conflict of interest and can also seek confidential advice from the Ethics/Compliance department.

Staff members are required to promptly and completely respond to information requests from the Organization, including those from authorized individuals investigating potential misuse of funds, waste, or abuse. Collaboration among staff or between personnel and vendors within the organization, KnK Japan, could lead to the manipulation of the procurement process for

illicit financial gains, such as kickbacks or bribes. To mitigate these risks, KnK Japan personnel should not handle crucial procurement steps alone, like negotiating with vendors, participating in bidders' conferences, or assessing technical criteria.

3.2 ETHICAL BEHAVIOUR of VENDORS and the SUPPLIER CODE of CONDUCT

Vendors are required to adhere to the KnK Japan General Conditions of Contracts, which include explicit prohibitions against activities such as involvement with mines, child labor, sexual exploitation, and violations of workers' fundamental rights. These conditions are an integral part of every contract between KnK Japan and a vendor. When utilizing public funds, KnK Japan strives to uphold the highest standards of integrity and competence, and it expects the same from those seeking to collaborate with the organization.

KnK Japan has the authority to impose sanctions on vendors found to have engaged or attempted to engage in prohibited practices.

To maintain a fair and unbiased procurement process, KnK Japan mandates that vendors involved in the process must not have any conflicts of interest. Vendors are obligated to openly disclose any existing or potential conflicts of interest in their bid submissions. Failure to make such disclosures may render the vendor ineligible for the procurement process unless the conflict of interest is resolved in a way acceptable to KnK Japan. Non-disclosure of conflicts of interest may result in sanctions imposed on the vendor.

4. PROCUREMENT PROCESS

4.1 PROCUREMENT OVERVIEW

Procurement encompasses all essential actions involved in acquiring property through purchase or lease, covering both products and real estate, as well as services, including various works. Additionally, this Procurement Manual extends its coverage to income-generating contracts, which involve revenue generated from asset sales or other commercial arrangements.

4.1.1 PROCUREMENT OUTLINE

The acquisition process involves various steps essential for obtaining goods and services, including identifying needs, planning, budgeting, soliciting, obtaining approvals, negotiating contracts, and fulfilling them. This process includes activities such as gathering and analyzing demand data, acquisition planning, designing specifications, procurement actions, delivery, receipt and inspection, payment, and contract management. This manual offers practical guidance on all aspects of the acquisition process, serving as authoritative advice on procurement functions. It outlines key steps and is designed to be applied by procurement practitioners with expertise and discretion. For areas beyond the procurement process, other guidance documents take precedence. The manual also provides guidance to stakeholders such as Requisitioners, Tender Opening Committee members, Vendor Review Committee (VRC), and others involved in the process.

4.2 REQUISITIONER

A Requisitioner is an individual who initiates a request for a requisition. This request typically involves goods and/or services. The primary responsibilities of a Requisitioner in the procurement process include:

- Preparing Procurement Plan:
 - Ensuring proposed expenditures align with the relevant entity's mandate.
 - Allotting sufficient time for the procurement exercise.
- Drafting Requirements:
 - Articulating specifications, Statements of Work (SOWs), or Terms of Reference (TORs).
 - Developing associated technical evaluation criteria.
- Ensuring Funding Availability:
 - Verifying that adequate funds are available for the procurement, both at contract award and throughout the contract's lifespan.

- Technical Evaluations:
 - Conducting technical evaluations of submissions if appointed to the technical evaluation committee.
- Accepting Deliveries:
 - Receiving and accepting goods and/or services delivered by vendors.
 - Creating Receiving and Inspection reports.
- Contract Management:
 - Leading contract management responsibilities, including vendor performance evaluation, in coordination with the end-user if required.

These responsibilities may involve collaboration with other personnel, and some tasks, such as shopping cart approval, may be delegated to the Acquisition Management function in specific entities. The Requisitioner plays a crucial role in various stages of the procurement process, ensuring compliance, efficiency, and effective management of resources.

4.3 PROCUREMENT APPROVING AUTHORITY

Procurement Approving Authorities are required to carry out their duties and responsibilities, as outlined in their designated Delegation of Authority (DOA), with the utmost care, efficiency, impartiality, and integrity.

Amount	Approving Authorities
PKR 1 - 300,000 Coordinator	Co-Ordinator (For Field / Project Offices Only)
PKR 1 - 500,000 Coordinator	Director Program
PKR 500,001 - PKR 1000,000	Director Finance
PKR 1000,001 and 50 million	Country Representative
PKR 50 M+	Head Office Japan - International Head of Programmes

4.4 REVIEW COMMITTEE

The main responsibility of the Review Committees is to verify that proposed procurement actions adhere to applicable rules, considering guidance outlined in the Procurement Manual. However, these committees are not tasked with evaluating or advising on the sufficiency or necessity of the requirements proposed for procurement actions. While they can pose questions and make observations regarding the adequacy or necessity of the requirements, their role does not extend to reviewing or advising on these aspects. In cases where the advice of a Review Committee is necessary, no conclusive action leading to the award or modification of a procurement contract can be taken until that advice is received.

4.4.1 CONTRACT AWARDS

An award signifies the authorization granted by the Authorized Official (Tokyo Head Office – The ultimate award–approving authority), following the recommendation of the Review Committee if necessary, or by the applicable Procurement Approving Authority. This authorization allows the establishment of a contractual commitment on behalf of KnK Japan. Awards encompass the issuance of various contractual instruments such as contracts, Long Term Agreements (LTAs), Letters of Assist (LOAs), purchase orders (PO), or amendments to these agreements.

4.4.2 ACCOUNTABILITY

All KnK Japan personnel engaged in the procurement process bear accountability for their actions during their official duties. Any KnK Japan personnel who take actions contrary to the applicable rules or other pertinent legislative instruments and policies may face personal responsibility and financial liability for the consequences of such actions.

In the event that procurement activities involve goods and services funded by multiple sources or donors, the Procurement Framework shall encompass procedures and guidelines that adequately address the coordination, compliance, and transparency requirements inherent in such scenarios. This includes but is not limited to the identification of applicable guidelines and rules from each funding source. These guidelines from specific donor shall become part of this manual.

4.4.3 SEGREGATION OF DUTIES

Segregation of duties serves as an internal control mechanism to ensure that no single individual or organizational unit is assigned responsibility for more than one related function

within a specific process, particularly in the acquisition process. This segregation is applied in two key areas.

The first area refers to authorities for various functions in the acquisition process:

- a. **Budgeting Authority:** This role involves managing the resources allocated for spending. Typically, it is carried out by the Requisitioner or end-user, who oversees the financial aspects related to the procurement.
- b. **Requisitioning Authority:** The Requisitioning Authority is responsible for initiating the procurement process by raising a requisition or shopping cart. Their duty is to communicate this requisition to the procurement function, outlining the specific needs and requirements.
- c. **Procurement Approving Authority:** This authority is tasked with approving purchase orders after they have been created by the Procurement Official. It involves reviewing the details of the order to ensure compliance with relevant rules and regulations before granting approval.

The second area of segregation of duties in the procurement process includes the following:

- a. **'Needs Definition' Authority:** This authority involves the responsibility to articulate a requirement in the form of a Statement of Requirement and convey this need to the procurement function. Typically, this process is carried out by either the Requisitioner or a Technical Expert Category Manager.
- b. **Opening of Offers for Formal Solicitations:** This responsibility must be handled by at least one official who has no involvement in the subsequent stages of the procurement process. It ensures impartiality in the evaluation of offers.
- c. **Evaluation Committee:** An independent committee formed to assess and evaluate offers and proposals, providing a diverse perspective on the procurement process.
- d. **Procurement Approving Authority:** This authority should refrain from awarding contracts or purchase orders or making amendments if directly and personally involved in the procurement process. In such cases, all related documents must be referred upward to the next Delegation of Authority (DOA) level.

Despite these restrictions, Procurement Officials may perform other activities under their delegated authorities (e.g., approve the List of Invitees, sign solicitation documents) if they have assumed responsibility for the procurement process. This segregation of duties aims to enhance transparency, fairness, and accountability in the procurement process.

4.5 *VENDOR REGISTRATION AND MANAGEMENT*

To optimize economy and efficiency, Procurement Officials and staff at KnK Japan should consistently seek out new vendors who are both technically and financially reliable. In particular, KnK Japan is committed to actively expanding its sources of supply, with a focus on increasing engagement with vendors. This approach aims to enhance diversity in procurement sources, and inclusivity, while ensuring effective and cost-efficient operations for KnK Japan.

4.5.1 *VENDOR REGISTRATION*

The vendor registration function holds responsibility for all aspects pertaining to vendor registration, the establishment and upkeep of vendor files, and providing assistance to both vendors and Procurement Officials in matters related to registration. On the other hand, the Master Data Management (MDM) team is tasked with synchronizing vendor registration data into the KnK Japan database, categorizing them as Business Partners. This division of responsibilities ensures the efficient management and coordination of vendor-related information within the organization.

4.5.2 *VENDOR REGISTRATION PORTAL*

Vendors desiring to participate in KnK Japan's solicitation exercises must complete the self-registration process on KnK Japan's Vendor Registration portal, including confirming their acknowledgment of KnK Japan's Supplier Code of Conduct. KnK Japan would invite vendors annually for registration with KnK Japan. In the absence of specific instructions in the Request for Expression of Interest (REOI) or solicitation details, a completed registration is sufficient for participation in KnK Japan's solicitation exercises.

Vendors who are not registered or are under suspension (even if reinstatement is pending) will not receive invitations to participate in solicitation exercises and are ineligible to submit bids or receive solicitation materials. Contracts will only be awarded to vendors registered with KnK Japan, unless there are specific exceptions.

KnK Japan assesses vendor applications to ensure compliance with established requirements, determining eligibility for registration. Successful applicants meeting the eligibility criteria become duly registered as KnK Japan vendors.

Under exceptional circumstances (e.g., vendor portal access issues or language barriers), or upon request by the Director, PD, or Chief, Enabling and Outreach Service, KnK Japan may assist vendors in completing the registration process. In such cases, a signed vendor registration form, including an Eligibility Form and acceptance of the Supplier Code of Conduct and KnK Japan's payment terms, will be obtained from the vendor.

Vendor registration with KnK Japan is contingent upon the following conditions:

a. Accuracy and Certification of Information:

- All information provided to KnK Japan must be certified as true and correct by the vendor.
- KnK Japan reserves the right to seek clarification or conduct further research on any concerns related to a vendor's eligibility.
- KnK Japan may take appropriate actions it deems necessary based on the circumstances.

b. Eligibility for Tender Activities:

- Registration of a vendor in the portal signifies that the vendor meets the eligibility criteria to participate in KnK Japan's tender activities, subject to evaluation.
- However, it's crucial to note that registration does not guarantee an invitation to a solicitation exercise or the award of a contract.

These conditions emphasize the importance of accuracy in the information provided by vendors and highlight that registration is a prerequisite for eligibility but does not automatically guarantee participation in specific solicitation exercises or contract awards.

4.5.3 CRITERIA FOR VENDOR REGISTRATION

4.5.3.1 PREREQUISITES FOR ELIGIBILITY

To become registered vendors eligible to participate in KnK Japan solicitation exercises and receive solicitation materials, applicants must declare the following:

- a. They are not associated with a company or individual under procurement prohibition by

KnK Japan.

- b. They are not currently removed from the registered vendor list or suspended by KnK Japan.
- c. They are not under formal investigation or have been sanctioned for engaging in proscribed practices, including but not limited to corruption, fraud, coercion, collusion, obstruction, or any other unethical practice.
- d. They have not declared bankruptcy, are not involved in bankruptcy or receivership proceedings, and there is no judgment or pending legal action that could impair their operations.
- e. They do not employ, or plan to employ, any person(s) who is or has been a KnK Japan staff member within the last 12 months, if said KnK Japan staff member has had prior professional dealings with the vendor in their capacity as a KnK Japan staff member within the last 36 months of service with KnK Japan.
- f. They commit not to engage in proscribed practices (including but not limited to corruption, fraud, coercion, collusion, obstruction, or any other unethical practice) with respect to KnK Japan or any other party, and to conduct business in a manner that avoids any financial, operational, reputational, or other undue risk to KnK Japan.

In the case of a consortium or joint venture submitting a joint proposal, all members must meet the criteria requirements. If the contract is awarded to the consortium/joint venture, risk mitigation measures, such as liability provisions, warranties, and assurances, should be included in the contract. It is preferred and strongly recommended to sign contracts with a prime vendor to mitigate legal risks associated with partners acting as subcontractors. If a joint venture is considered for an award, advice from the Director PD or CPO, who may consult the Office of Legal Affairs (OLA)/Ethics and Compliance Department, is necessary before a decision is made.

4.5.4 VENDOR REGISTRATION MAINTENANCE AND UPDATING DOCUMENTATION

The Vendor Review Officer (VRO) is responsible for keeping documentation in an electronic platform. This documentation, including Performance Evaluation Reports received from the Requisitioner, should be maintained in the respective vendor files. These records will be made

available upon request for review by Procurement Officials. The process ensures transparency and accessibility of performance-related information for effective vendor management.

4.5.4.1 EVALUATION OF VENDOR REGISTRATION APPLICATIONS

The Vendor Review Officer (VRO) is responsible for evaluating vendor registration applications based on predefined criteria. The VRO can take the following actions:

Approval: The VRO approves the registration application when it meets all established criteria.

Additional Information Request: If necessary, the VRO may request additional information or documentation from the vendor to complete the review process.

Denial: In cases where the application does not meet the criteria or required information is not provided, the VRO may deny the application.

During the evaluation, the VRO analyzes information from documents submitted by the vendor, such as financial statements. Business information services and other sources may also be consulted as deemed appropriate. The VRO employs the standard financial review methodology established by the Chief, EOS. This methodology assesses whether a vendor registering is in sound financial condition. Failure to submit the required financial data results in disqualification.

In exceptional cases, a Procurement Official may submit a request to the VRO for 'special approval' if, in their professional judgment, such a request is warranted. This process ensures a thorough and standardized evaluation of vendor registrations.

4.5.5 VENDOR REVIEW COMMITTEE

The Vendor Review Committee (VRC) serves as an internal administrative body with the responsibility of providing recommendations related to potential sanctions or reinstatement of vendors. The VRC reviews cases involving:

- a. Vendors suspected of engaging or attempting to engage in proscribed practices, including corruption, fraud, coercion, collusion, obstruction, sexual exploitation, or any other unethical or anti-competitive behavior.
- b. Vendors who have failed to perform in accordance with the terms and conditions of their contracts with KnK Japan to an extent warranting suspension.

- c. Cases where, prior to registration, vendors fail to meet eligibility prerequisites or submit a Declaration of Eligibility or accept the KnK Japan Supplier Code of Conduct.
- d. Instances, post-registration, where vendors do not comply with eligibility prerequisites, statements in the Declaration of Eligibility, or the undertakings in the KnK Japan Supplier Code of Conduct.
- e. Vendors seeking reinstatement after completing the reinstatement process satisfactorily.

The VRC may recommend actions such as censure, suspension, removal, acceptance, rejection of registration, or reinstatement of a previously suspended or removed vendor. Representatives from the procurement office responsible for the associated contract(s) and the requisitioning office managing the contract are involved in the decision-making process. It's important to note that the VRC does not have direct communication or meetings with vendors.

4.5.5.1 Review by Vendor Committee Personnel

The Vendor Review Committee (VRC) personnel would thoroughly reviews information and documentation related to vendor cases and may seek additional expert advice form Ethics Office. The deliberations of the VRC are documented in writing and stored in the vendor file as approved minutes.

It's emphasized that evidence of a vendor's failure to perform under a KnK Japan contract does not automatically trigger a submission to the VRC with a recommendation for sanctions. Upon examination, the VRC provides a recommendation on whether to sanction or reinstate a vendor, seek clarifications and consultations, accept or reject a vendor's registration, or take no action. The VRC may also specify conditions under which a suspension can be lifted. If the VRC recommends sanctioning a vendor, the recommended period and associated conditions for the sanction are clearly defined.

The VRC conducts in-person meetings, which may include video links, to deliberate on presented cases. All recommendations from the VRC are submitted in writing. The VRC maintains a repository of VRC minutes and written decisions in the relevant vendor file. Copies of these decisions and minutes are communicated by the VRC to the Director, Procurement Division, the relevant requisitioner, and the procurement office responsible for administering associated contracts immediately upon signature.

4.5.6 VENDOR SANCTIONS

Vendor Sanctions are the policies and guidelines implemented by KnK Japan to penalize vendors engaged in prohibited practices like fraud, corruption, collusion, coercion, unethical conduct, and obstruction. The Vendor Review Committee can impose various sanctions, including:

- a. **Censure:** A reprimand for a vendor's conduct, serving as an aggravating factor for future sanctions.
- b. **Suspension:** A determination that a vendor is ineligible for a specified period, preventing them from receiving contracts, participating in solicitations, or engaging in new business with KnK Japan. The VRC reviews the vendor's status at the end of the suspension period.
- c. **Removal:** A decision to render a vendor ineligible for all KnK Japan procurement activities, including contracts, solicitations, and direct negotiations. A removed vendor may apply for reinstatement if the conditions leading to removal have significantly changed, subject to KnK Japan's evaluation.
- d. **Other Sanctions:** Additional sanctions deemed appropriate by the VRC based on the case, such as recommending special conditions for existing or future contracts. These sanctions may be imposed alongside or instead of censure, suspension, or removal.

Notices regarding sanctions are delivered via mail with return receipt or email with confirmation of transmission. The vendor has a 30-day window from KnK Japan's receipt to request a review of the sanction decision. The Vendor Review Committee (VRC) assesses the request and recommends maintaining, reversing, or amending the decision. In cases of recommended suspension with an existing contract, the VRC specifies whether to terminate or allow continuation, ensuring KnK Japan's best interests. The Requisitioner is informed and consults with PD on actions, and PD or the CPO safeguards KnK Japan's interests during contract termination. If a vendor seeks reinstatement, the VRC reviews the request, considering met conditions and supporting evidence.

5. Demand Planning, Acquisition Planning, Procurement Strategy and Requirements

5.1 DEMAND AND ACQUISITION PLANNING

Acquisition planning is a crucial step in the overall acquisition process, acting as a prerequisite for procurement. It involves forecasting the Organization's needs based on demand plans, supporting timely mandate fulfillment. The planning includes procurement forecasting, considering logistics, finance, and resource management. Requisitioners collaborate with Procurement Officials to develop acquisition plans, ideally done ahead of each budgetary cycle for efficient procurement strategies. Short-term planning for the current budgetary period is also performed to optimize fund utilization and ensure the timely acquisition of high-quality goods and services at competitive prices.

Requisitioners and Procurement Officials must annually review and quarterly update acquisition plans. The demand plan includes item details, type, estimated quantity, value, funding source, delivery date, and other relevant information. The planning function, led by the Supply Chain Planning Service, consolidates plans using a template. While plans are based on twelve-month estimates, unforeseen needs are acknowledged, and personnel provide the best estimates. The Supply Chain Planning Service guides the formulation of plans, analyzes data for optimal actions, and facilitates reviews by procurement and requisitioning offices, aligning with category management strategies.

5.2 PROCUREMENT STRATEGY

To successfully acquire goods and services and ensure timely project implementation, a strategic approach to procurement is crucial. This involves understanding requirements, contractor capabilities, operational complexities, risks, and available resources. Effective procurement planning, which aligns activities with identified procurement and category management strategies, is integral to this process. The close connection between procurement strategy, category strategy development, acquisition planning, and procurement planning highlights the need for a coordinated and strategic approach.

5.3 PROCUREMENT PLANNING AND SOURCE SELECTION

Procurement planning for each procurement activity involves establishing timelines for each step based on solicitation methods and contract types. Advantages of procurement planning include improved sourcing with qualified vendors, reduced resource wastage, early risk

management, minimized delays, better activity planning and monitoring, workload distribution insights, and early consideration of logistics. Category management focuses on enhancing total cost of ownership and organizes resources for specific spending areas and supply markets.

For a single procurement exercise, planning is reflected in the Source Selection Plan (SSP), describing critical sourcing components, justifying decisions, and ensuring Best Value for Money. Complex requirements necessitate planning at least six months in advance, requiring collaboration between Requisitioners and Procurement Officials. The SSP, an internal document led by the Procurement Official, outlines the procurement process, justifies decisions, and ensures the Best Value for Money principle is upheld. The Procurement Official and Requisitioner jointly contribute to, finalize, and obtain approvals for the SSP before issuing solicitation documents.

The Procurement Official is responsible for obtaining approval for the Source Selection Plan (SSP) before issuing any solicitation, and any subsequent amendments must be justified and documented. The complexity of the procurement determines the level of detail in the SSP, with factors like estimated value and technical complexity influencing the content. Key elements in the SSP include requirement description, solicitation method justification, vendor identification method, contractual instrument, evaluation committee details, criteria for commercial and technical evaluation, weighting, market conditions, schedule, rating system, required expertise, risk factors, and relevant contract management information. The evaluation criteria should be fair, equitable, and not unduly disadvantage vendors from developing countries. The rating system must include all relevant details determined appropriate by the Procurement Official and Requisitioner.

5.4 REQUIREMENT DEFINITION

Requirements definition is a systematic process to articulate the procurement needs in a requisition or shopping cart, typically expressed as a Statement of Work (SOW) or Terms of

Reference (TOR) with technical specifications. This initial step in procurement planning is often concurrent with supply-market research to leverage industry insights. The Requisitioner is solely responsible for defining requirements, while the Procurement Official ensures they are competitive and appropriate, addressing potential issues like branding without justification or over-specification. The Procurement Official may advise the Requisitioner on optimal solutions and communicate the importance of a comprehensive SOW/TOR for solicitation exercises, especially when establishing Long-Term Agreements (LTAs) or Blanket Purchase Orders

(BPOs). Requirements may include technical specifications, delivery dates, transportation details, and, for goods, packing and shipping instructions. Clear performance expectations, including Key Performance Indicators (KPIs), help avoid misunderstandings and extra costs.

5.4.1 CHARACTERISTICS OF WELL-DEFINED REQUIREMENTS

In defining requirements, it is crucial to analyze the goods and services to be procured, considering their purpose, performance requirements, characteristics, objectives, and expected output. The requirements should avoid over-specification, as it may lead to higher prices and reduced competition. They must be generic, fostering competition, and specific brands should only be mentioned if essential for standardization, with clear minimum requirements specified. Including Key Performance Indicators (KPIs) in requirements, such as on-time delivery, quality adherence, and environmental and labor indicators, is recommended. KPIs serve as essential tools for expressing, measuring, and monitoring performance against agreed targets throughout the contract management stage. Best practices include determining SMART (Specific, Measurable, Achievable, Relevant and Time-bounded) KPIs during the requirements definition stage and aligning them with the overall Supply Chain Management Performance Management Framework.

5.4.2 TECHNICAL SPECIFICATIONS

Technical specifications primarily apply to the procurement of goods and, in some cases, straightforward, quantifiable services. They serve as detailed descriptions of the technical requirements for a material or product, outlining specific criteria and characteristics. Specifications can range from simple to complex based on the procurement need. These details are integral components of the invitation to bid, request for proposal, or request for

quotation. There are three main types of defining needs within specifications: functional specifications (what the goods/services must accomplish), performance specifications (defining the expected output), and conformance specifications (outlining the physical characteristics and dimensions of the goods).

5.4.3 TERMS OF REFERENCE (TOR)

A Terms of Reference (TOR) is a comprehensive description outlining the scope of work for services, encompassing the tasks to be carried out, the expected quality and effort, the timeline for completion, and the deliverables. TORs are primarily employed to establish performance requirements for expert and advisory services, particularly those that may not be easily

quantifiable, where the emphasis is on providing a solution to a specific requirement.

For vendors, the TOR serves as their initial and primary introduction to the project requirements. A well-structured and clear TOR reduces risks for vendors, allowing them to prepare precise and detailed proposals. This, in turn, contributes to the successful implementation of projects while minimizing the likelihood of disputes or claims.

Key components typically included in a TOR are:

- a. Background information justifying the need for the service;
- b. The service's objective and its overall impact;
- c. Clearly defined expected output from the service;
- d. Specific activities required to achieve the desired output;
- e. Inputs necessary to perform the activities;
- f. Deliverables expected from the service;
- g. Timelines for the completion of various stages or milestones.

5.4.4 STATEMENT OF WORK (SOW)

The Statement of Work (SOW) serves as a detailed specification outlining the specific services and/or goods that a contractor is required to deliver. It typically provides information on the type, level, and quality of service, along with a specified timeline for completion. The SOW delves into comprehensive requirements for both the goods and services that are expected from the contractor.

6. SOURCING

6.1 SOURCING OF VENDORS

Sourcing is the process of identifying suitable suppliers, including vendors, for the necessary goods or services, providing crucial information about products and specifications. This involves methodologies such as supply market research, internal and external analysis, and advertising business opportunities through methods like Request for Information (RFI), REOI, and pre-qualification.

Regarding vendor recommendations:

- a. Requisitioners, substantive offices, and consultants generally should not recommend vendors to maintain the segregation of responsibilities between requisitioning and procurement entities.
- b. If vendor recommendations are received, Procurement Officials must carefully evaluate their desirability and propriety. Unless a recommended vendor brings special knowledge or expertise beneficial to the procurement, they should be excluded but encouraged to register for future opportunities.
- c. If a Procurement Official believes a vendor should be invited, approval from the Director, PD, or CPO is required, and the recommender must declare any potential conflict of interest.
- d. Consultants engaged in preparing or reviewing technical specifications, TOR, or SOW, and/or assisting in bid evaluations should not submit bids or proposals for the same requirement.
- e. Vendors approaching Requisitioners for inclusion should be directed to the Procurement Official.

6.2 MARKET RESEARCH

Market research involves collecting and analyzing information about industry sector capabilities and overall market supply to identify goods, services, and vendors. This process aids in developing technical specifications, TORs, and SOWs while collecting product and pricing information. Market research is crucial for successful sourcing, especially for new goods or services. It can be conducted through external and internal sources, including other organizations, commercial publications, embassies, existing LTAs, and past vendor contracts.

The results should be documented and shared with the Requisitioner. Consideration should be given to diverse suppliers, and regular reassessment is essential, particularly for evolving products and services. Category Management's market research can inform individual solicitations.

6.3 ADVERTISEMENT FOR BUSINESS OPPORTUNITY

Advertisement for business opportunities can be done by either one of the below methods:

- a. Request for Information (RFI): The RFI, or Request for Information, is a tool for conducting a market survey to gather information about potential solutions and suppliers to meet identified needs. RFIs may cover cost and delivery times and are typically carried out before finalizing detailed specifications. The information from an RFI is not used to qualify vendors but aids in identifying generic descriptions of potential alternatives, their costs, and delivery times. RFIs focus on seeking technical alternatives and gauging the commercial environment rather than eliciting direct offers. Advertising the RFI on the entity's website, Pakistan Public Procurement Regulatory Authority (PPRA), and other relevant media helps solicit beneficial responses based on the nature and complexity of the requirement.
- b. Request for Expression of Interest (REOI): is a notice prepared by the Procurement Official, often with input from the Requisitioner, to invite vendors interested in participating in a solicitation. Vendors express their interest by a specified deadline and provide detailed information demonstrating their experience and qualifications in offering the relevant goods or services. The received information is then assessed, and vendors may be considered for inclusion on the List of Invitees. While the REOI is a cost-effective method to identify suitable vendors, it requires additional time for vendors to respond, especially based on the complexity and nature of the goods or services being procured. The evaluation of REOI responses is typically performed by the Requisitioner and/or a Procurement Official. The REOI is advertised on the entity's website, PPRA, and other relevant media to attract beneficial responses based on the nature and complexity of the requirement.

6.4 PREQUALIFICATION OF VENDORS

Pre-qualification is a formal assessment method applied to vendors based on predetermined criteria, and only those meeting the criteria are shortlisted for a tender. The use of pre-qualification should be authorized by the Procurement Approving Authority through the Request for Expression of Interest (REOI) process. The decision to use pre-qualification, along with its rationale, should be documented in the Source Selection Plan of the relevant solicitation.

This process ensures that solicitation documents are directed only to vendors with sufficient capabilities and resources. Adequate time, not less than ten working days, should be provided for potential vendors to prepare responsive applications, unless otherwise justified and approved by the Director, PD, or the Chief Procurement Officer. Pre-qualification is recommended in cases involving high bid preparation costs, complex technical components, or when it is deemed necessary for achieving the best outcome in highly complex procurements, subject to approval by the Director, PD, or Chief Procurement Officer. Criteria, the evaluation process, and involved staff should be established before advertising the REOI, documented separately, and signed by the Requisitioner and Procurement Official.

6.5 CREATION OF LISTS OF INVITEES

The tools mentioned above, such as REOI and RFI, aid in identifying eligible vendors for receiving solicitation documents. Typically, the Procurement Official should invite all vendors expressing interest through an REOI. If additional companies are added, the evaluation committee should assess the same information as requested in the EOI or RFI. In cases of limited vendors in the market or challenges in identifying the minimum required number of invitees, this should be documented and explained to the Procurement Approving Authority. In instances where pre-qualification is conducted, ineligible vendors from the pre-qualification stage must be excluded from the List of Invitees, and the minimum recommended number of vendors may not apply.

6.6 APPROVAL OF LIST OF INVITEES

The List of Invitees should encompass all vendors invited to tender. If it's not feasible to meet the minimum recommended number of vendors, a written justification must be documented in the procurement file. This rationale requires authorization from the relevant Procurement Approving Authority, depending on the procurement's value, up to the Director, PD, or Chief Procurement Official threshold. The solicitation document can only be issued after providing this justification.

6.7 AMENDMENTS TO LIST OF INVITEES

Changes to the List of Invitees can be made by including or excluding vendors invited to tender. The addition of vendors requires approval from the Procurement Approving Authority, with the decision relying on the professional judgment of the Procurement Official at the CPO level or Chief of Section, considering the vendor's potential for submitting a competitive bid. In

instances where additions are made to rectify KnK Japan's distribution errors, an extension to the bid submission deadline may be contemplated.

6.8 SOURCING OF/COLLABORATION WITH LOCAL PARTNERS

KnK Japan firmly believes in the power of collaboration and value the benefits that can be derived from partnerships. KnK Japan has a history of successful collaborations with various stakeholders, including government agencies, NGOs, and communities. We are committed to working closely with partners to ensure the effective implementation of projects and the achievement of desired outcomes.

6.8.1 STEPS FOR COLLABORATION WITH LOCAL PARTNERS

CALL FOR EXPRESSION OF INTEREST (EOI)

- The EOI should clearly outline the project goals, expectations from partners, eligibility criteria, and submission guidelines.
- Multiple channels should be used to disseminate the call, reaching a diverse range of NGOs or potential partners.
- A reasonable deadline should be set for submissions to allow interested parties sufficient time to prepare their applications.

INITIAL SCREENING

- A comprehensive set of eligibility criteria should be developed covering aspects such as legal status, mission alignment, capacity, experience, and geographic reach.
- A transparent process should be established for evaluating EOIs, ensuring consistency and fairness in decision-making.
- Outcomes should be communicated promptly to all applicants, providing feedback where possible to unsuccessful applicants.

DETAILED EVALUATION

- Site visits and interviews should be conducted carefully, ensuring they provide meaningful insights into each NGO's capabilities, infrastructure, governance, and commitment.
- Stakeholders should also be consulted or experts in the evaluation process to gain diverse

perspectives and mitigate biases.

- The backgrounds and credentials should be evaluated of potential partners through rigorous checks, including reviews of past projects, financial stability, and reputation within the community.
- Capacity assessment should be done not only in terms of resources but also in terms of organizational culture, adaptability, and willingness to collaborate.

CONTRACTING

- Clear drafts and comprehensive contracts should be made outlining the roles, responsibilities, deliverables, timelines, payment terms, and dispute resolution mechanisms.
- Contracts adhering to legal requirements and aligned with the goals and values of both parties should be formed.
- Open communication and collaboration should be fostered throughout the contracting process, laying the foundation for a strong and effective partnership.

7. SOLICITATION

7.1 OVERVIEW

The solicitation process is the means by which a procurement requirement is communicated, and offers are sought from potential vendors. Building on the information gathered in the sourcing process, Procurement Officials should ensure that the solicitation aligns consistently with the existing category management strategy. Unless justified exceptions exist, procurement contracts are awarded through competitive processes, involving acquisition planning, market research, formal or informal solicitation methods, and consideration of prudent commercial practices.

7.2 COMPETITION

7.2.1 INTERNATIONAL COMPETITION

Effective international competition in procurement is encouraged through several conditions:

- Conducting market analysis and advertising to identify potential bidders.
- Specifying requirements in a generic manner to allow for competition among multiple bidders.
- Identifying a sufficient number of prospective contractors and inviting them to compete.
- Involving prospective contractors from a wide geographical distribution when possible.
- Ensuring prospective vendors act independently and compete under the same conditions.

It's important to note that a low number of offers does not necessarily indicate a lack of effective international competition, as various factors can influence the number of viable competitors. The competitive process involves acquisition planning, market research, consideration of prudent commercial practices, and the use of formal or informal solicitation methods such as requests for proposals or quotations.

While international competition is generally favored, there are situations where narrowing down the vendor pool is justified. This can occur when the solicitation process is confined to a shortlist of vendors chosen impartially from rosters, pre-qualifications, market research, or other sourcing methods. If a Procurement Official deems it appropriate to limit the vendor pool for a specific solicitation, approval from a Procurement Approving Authority at the Chief

Procurement Officer (CPO) level is required.

7.3 SOLICITATION METHODS

7.3.1 FORMAL AND INFORMAL METHODS

Formal Methods of Solicitation: involve structured and comprehensive processes for procurement solicitation, typically suited for complex or high-value acquisitions.

Examples include:

- Invitation to Bid (ITB): Used for straightforward, well-defined goods or services where price is a significant factor.
- Request for Proposal (RFP): Suitable for complex requirements where factors other than just price, such as technical expertise, are crucial.

Informal Methods of Solicitation: are more flexible and less structured approaches to procurement solicitation, suitable for simpler or routine acquisitions.

Examples include:

- Request for Quotation (RFQ): While RFQs can be both formal and informal, they are considered informal when used for routine or smaller purchases.
- Direct Purchase: Buying goods or services directly from a known supplier without a competitive bidding process.
- Single/Sole Source Procurement: Choosing a specific vendor without competitive bidding due to unique circumstances or specialized requirements.

The choice between formal and informal methods depends on factors such as the complexity of the procurement, the value of the acquisition, and the need for competition. Formal methods are typically employed for larger, complex procurements, while informal methods offer more flexibility for routine or lower-value acquisition.

7.3.2 BIDDING THRESHOLDS

METHOD	LEAD TIME	PROCESS	ELABORATION
FORMAL			
INVITATION TO BID (ITB) <ul style="list-style-type: none"> • Purchases more than PKR 2.5 million; • One envelope 	17 working days exclusive of delivery time.	<ul style="list-style-type: none"> • Open tender over PKR 2.5 million in case of no pre-qualified suppliers. Tender through Newspapers (two national); • RFQ Processing time (preparation of advertisement) after the receiving of approved PRF (2 days); • Advertise through newspapers (by Procurement and Logistics Department); • Tender closing time 10 working days; • Bid opening, sample evaluation time and preparation of comparative analysis, 3 working days; • Signing of bid summary & issuing of PO/contract 2 working days; • Samples are Must, if not branded items Receiving by projects & Commodities against Sample approved at Warehouse/Office Form must be signed (i.e., Quality report & GRN); • Agreement needs to be Signed by Country Director if amount is more than PKR 1,000,000. 	Procurement over PKR 2.5 million: <ul style="list-style-type: none"> • Selection and awarding through open tender or public bidding. • Preparation of tender notice by Procurement Department with detailed information. • Advertisement in local and national newspapers for open and fair competition. Tender Notice Requirements: <ul style="list-style-type: none"> • Product specification, delivery schedule, location, validity of quotations, payment terms. • Closing date, transportation cost inclusion, sealed bids via courier only. • Mention of Tender Reference Number, cancellation clause, and tax calculations. Supplier Requirements: <ul style="list-style-type: none"> • Minimum three years' experience, submission of company profile, bank statements, references, tax certificates. Supplier Evaluation: <ul style="list-style-type: none"> • Evaluation by KnK Japan's recipient, rejection of bids without explanation, supplier performance evaluation. Bidding Process: <ul style="list-style-type: none"> • Sealed bids submitted through courier, stored securely in Bid Box. • Bids opened in presence of Bidding Committee, comparative bid analysis shared

			<p>with bidders.</p> <ul style="list-style-type: none"> • Bidding Committee members to sign on bids and comparative analysis.
<p>REQUEST FOR PROPOSAL (RFP)</p> <ul style="list-style-type: none"> • <i>Suitable for complex requirements where factors other than just price, such as technical expertise, are crucial.</i> • <i>Two envelopes</i> 	<p>30 working days</p>	<ul style="list-style-type: none"> • Engage Consultants and Contractors following procurement norms for material items; • Procurement department should obtain quotations from at least three service suppliers for competitive pricing. • Perform reference checks before contracting selected Consultants and Contractors; • Justify selection with record notes and supporting documents if unable to advertise or get three quotations; • Basic requirements and procedures include: <ul style="list-style-type: none"> • Purchase Requisite forms • Budget availability identification • Request for proposal • Prequalification and shortlisting • Comparative Analysis • Terms of reference • Concept Paper, Project Proposal with implementation plan • Company Profile/CV • Service Contract • Sales Tax registration document (if applicable) National tax number certificate 	<ul style="list-style-type: none"> • Requesting department prepares evaluation report for concept paper/project proposal and implementation plan; • Evaluation report submitted to bid committee for decision-making; • Unclear evaluations may lead bid committee to refer matter to head office for clarification; • Usual payment requirements apply to service providers: <ul style="list-style-type: none"> - GRNs - Waybill - Inspection report - Project progress/completion report - Beneficiary distribution list or acknowledgement record - Original invoice and/or statement of account
<p>RESTRICTED TENDER (RT)</p> <ul style="list-style-type: none"> • <i>Purchases more than PKR 2.5 million and less than 25 million.</i> • <i>One envelope</i> 	<p>17 working days exclusive of delivery time.</p>	<ul style="list-style-type: none"> • Restricted tender over PKR 2.5 million through pre-qualified vendor database; • Procurement process starts after the receiving of approved & complete PRF; • Seal quotes required through pre-qualified vendor database; • RFQ processing time after the receiving of approved PRF (2 days); 	<ul style="list-style-type: none"> • Restricted Tender limits the request for tenders to a selected number of suppliers. • It's recommended to use restricted tender if KnK Japan has prequalified vendors. • For amounts above a million and less than 2 million, the procurement department can use restricted tender.

		<ul style="list-style-type: none"> • RFQ closing time 10 working days; • Bid opening, sample evaluation time, preparation of Bid, comparative analysis 3 working days; • Signing of bid summary and issuing of PO/contract 2 working days; • Tentative Delivery time 3 to 4 working days. (Subject to the item available and the market condition); • Samples are Must. If not branded items & Commodities against Sample approved at warehouse/Office Form must be signed (i.e. Quality report & GRN); • Agreement needs to be Signed by Country Director. 	<ul style="list-style-type: none"> • RFQ is shared with prequalified vendors for specific fields. • For PRFs over 2 million, the normal tender process is adopted. • The Procurement Committee can choose open tender over restricted tender if deemed necessary, regardless of PRF limits.
--	--	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

INFORMAL

<p>REQUEST FOR QUOTATION (RFQ)</p> <ul style="list-style-type: none"> • <i>Purchases more than PKR 150,000 and less than PKR 2.5 million.</i> 	<p>5 - 10 working days (exclusive of delivery time).</p>	<ul style="list-style-type: none"> • Procurement process starts after the receiving of approved & complete PRF; • RFQ Processing time after the receiving of approved PRF is 2 days; • RFQ closing time 5 working days; • Bid opening, sample quality checking, evaluation, signing bid summary and issuing of PO (3 working days); • Tentative Delivery time 2 to 3 weeks. (Subject to the item availability and the market condition); • Samples are Must, if not branded items are required & Commodities against Sample approved at Warehouse/Office Form must be signed (i.e., Quality report & GRN). <p><i>Note: Process time may vary depending upon the budget</i></p>	<p>Definition of more than PKR 150,000 less than PKR 2.5 million:</p> <ul style="list-style-type: none"> • Any single item or accumulated sum within one category exceeding PKR 150,000 but less than PKR 2.5 million. <p>Procurement Requirement:</p> <ul style="list-style-type: none"> • Procurement Department must collect a minimum of three sealed quotations for such purchases. • Quotations must be received through courier; other submission methods will be rejected.
<p>DIRECT PURCHASE</p> <ul style="list-style-type: none"> • <i>For purchases up to PKR 150,000</i> 	<p>5 working days (including delivery time)</p>	<ul style="list-style-type: none"> • Procurement process starts after the receiving of approved & complete PRF; • Direct Purchase with one open quote; • Delivery time 4 days; • If sample needs to be checked; that must be checked before Order. 	<p>Definition of less than PKR 150,000:</p> <ul style="list-style-type: none"> • Any single item or accumulated sum within one category (e.g., fruits, crockery, stationery) under PKR 150,000. <p>Purchase Request Process:</p>

			<ul style="list-style-type: none"> • Requesting Department/Personnel completes Purchase Request Form, approved by budget holder. • Director Finance reviews, verifies budget code, approves, and forwards to Procurement. <p>Procurement Options:</p> <ul style="list-style-type: none"> • Procurement Department may enter into agreements with suppliers for routine procurement. • Supplier evaluation includes performance assessment for efficiency and compliance. <p>Documentation and Payment:</p> <ul style="list-style-type: none"> • Original receipts and documentation provided to Finance Office for payment processing and copies kept by PD
--	--	--	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

These methods provide flexibility in adapting procurement processes to the specific needs and characteristics of the goods or services being acquired, ensuring efficiency and optimal outcomes.

7.3.2.1 INVITATION TO BID (ITB)

Invitation to Bid (ITB) is a formal procurement method, and the criteria for an ITB generally adhere to international standards to ensure fairness, transparency, and competition. While specific criteria may vary based on the organization or jurisdiction, here are common elements considered in international ITB standards:

Eligibility Criteria:

- Clearly defined requirements for vendors to be eligible to participate.
- Often includes financial stability, legal status, and compliance with relevant laws.

Technical Specifications:

- Detailed and precise technical requirements for the goods or services being procured.

- Specifications must be clear, measurable, and allow for accurate evaluation.

Bid Submission Requirements:

- Specific instructions on how vendors should prepare and submit their bids (via courier).
- Deadline for bid submission.
- Requirements for bid security, if applicable.

Bid Opening:

- Clearly defined procedures for the public opening of bids.
- Transparency in revealing bid prices and essential details.

Evaluation Criteria:

- Objective criteria for evaluating bids beyond just price.
- May include technical competence, relevant experience, delivery schedule, etc.
- Weightage assigned to different criteria.

Responsiveness and Responsibility:

- Assessing whether bids meet the specified requirements (responsiveness).
- Evaluating the capability and reliability of bidders (responsibility).

Contract Terms and Conditions:

- Clearly outlining the terms and conditions under which the contract will be awarded.
- Clarity on payment terms, delivery schedules, and other contractual obligations.

Clarification and Questions:

- Procedures for vendors to seek clarification on any aspect of the ITB.
- Responses to questions should be shared with all participating vendors.

Bid Validity Period:

- Timeframe during which bids must remain valid.
- Typically, 60 to 90 days is common.

Bidder Disqualification:

- Clear grounds for disqualification of bidders.
- Usually includes non-compliance with ITB requirements or unethical practices.

Publication and Communication:

- Transparent communication of the ITB, including advertising the opportunity widely.
- Publication of bid results, including the awarded contract.

7.3.2.2 REQUEST FOR PROPOSAL (RFP)

Request for Proposal (RFP) needs to ensure a fair, competitive, and transparent procurement process. While specific details may vary, here are common elements considered in RFP standards:

Introduction and Background:

- Overview of the organization's background and the context of the procurement.
- Explanation of the purpose and objectives of the RFP.

Scope of Work (SOW) or Terms of Reference (TOR):

- Detailed description of the goods, services, or works to be procured.
- Clear specifications and requirements.
- Expectations regarding quality, quantity, and performance.

Eligibility and Qualification Criteria:

- Criteria defining the eligibility of bidders to participate in the RFP.
- Qualifications, experience, and capabilities required for successful bidders.

Proposal Submission Requirements:

- Detailed instructions on how to prepare and submit proposals.
- Deadline for proposal submission.
- Any specific format or structure for the proposal.

Evaluation Criteria:

- Objective and measurable criteria for evaluating proposals.
- Criteria may include technical competence, relevant experience, proposed approach, cost, etc.
- Weightage assigned to different evaluation factors.

Cost Proposal:

- Clear guidelines on how cost proposals should be structured.
- Instructions on how to present pricing, including any specific formats.
- Transparency in how cost will be evaluated.

Contract Terms and Conditions:

- Clearly outlined terms and conditions under which the contract will be awarded.
- Clarity on payment terms, delivery schedules, and other contractual obligations.

Proposal Validity Period:

- Timeframe during which proposals must remain valid.
- Typically, 60 to 90 days is common.

Negotiation Process:

- If negotiation is allowed or anticipated, procedures for conducting negotiations.
- Parameters for negotiation, such as scope changes, price adjustments, etc.

Confidentiality and Proprietary Information:

- Protection of sensitive information provided by bidders.
- Rules regarding the use and disclosure of proprietary information.

Clarification and Questions:

- Procedures for bidders to seek clarification on any aspect of the RFP.
- Transparency in providing responses to questions to all bidders.

Bidder Disqualification:

- Clear grounds for disqualification of bidders.
- Usually includes non-compliance with RFP requirements or unethical practices.

Publication and Communication:

- Transparent communication of the RFP, including advertising the opportunity widely.
- Publication of bid results, including the awarded contract.

These criteria aim to ensure that the RFP process is comprehensive, competitive, and provides the necessary information for bidders to submit well-informed proposals.

7.3.2.3 REQUEST FOR QUOTATION (RFQ)

Introduction and Overview:

- Provide a brief introduction to the organization, the purpose of the RFQ, and any relevant background information.

Scope of Work:

- Clearly define the goods, services, or works being procured.
- Include specifications, technical requirements, and any other details necessary for vendors to understand the scope.

Instructions to Vendors:

- Clearly outline how vendors should respond to the RFQ.

- Include information on submission deadlines, format requirements, and any specific instructions for preparing and submitting quotations.

Technical Specifications:

- Provide detailed technical specifications for the products or services being procured.
- Include any standards, certifications, or quality requirements that vendors must meet.

Commercial Terms:

- Specify terms related to pricing, payment terms, delivery schedules, and any other commercial aspects.
- Clearly outline any applicable taxes, fees, or additional costs.

Evaluation Criteria:

- Define the criteria that will be used to evaluate vendor submissions.
- Criteria may include price, technical capabilities, past performance, and compliance with specifications.

Terms and Conditions:

- Include general terms and conditions governing the procurement process.
- Cover issues such as warranties, liability, dispute resolution, and termination clauses.

Qualification Requirements:

- Specify any qualifications or eligibility criteria that vendors must meet to participate.
- Include requirements related to financial stability, experience, and relevant certifications.

Submission Requirements:

- Clearly outline the documents and information vendors must include in their submissions.

- Include any mandatory forms, declarations, or certifications.

Contact Information:

- Provide contact details for inquiries or clarification regarding the RFQ.
- Include information of the person or department responsible for managing the procurement process.

7.3.2.4 DIRECT PURCHASE

Authorization and Justification:

- Clearly define the circumstances under which direct purchases are allowed.
- Provide a justification for the use of the direct purchase method, such as urgency, unique specifications, or limited availability.

Value Thresholds:

- Establish clear monetary thresholds that determine when a direct purchase is permissible.
- Purchases up to PKR 150,000

Vendor Selection:

- Clearly specify the criteria for selecting vendors for direct purchases.
- Consider factors such as vendor reliability, reputation, past performance, and ability to meet specifications.

Market Research:

- Conduct market research to determine the availability of goods or services.
- Ensure that the proposed purchase is consistent with prevailing market conditions and prices.

Documentation:

- Maintain proper documentation of the need for the purchase, vendor selection process,

and the rationale for choosing a specific vendor.

- Document negotiations and agreements with the chosen vendor.

Budget Compliance:

- Ensure that the direct purchase aligns with budgetary constraints and financial regulations.
- Verify that funds are available for the intended purchase.

Competitive Pricing:

- Seek competitive pricing even in the absence of a formal bidding process.
- Compare prices with market rates or historical data to ensure fair value.

Transparency and Ethics:

- Adhere to ethical standards and ensure transparency in the procurement process.
- Document any potential conflicts of interest and take steps to mitigate them.

Approval Process:

- Establish an internal approval process that involves relevant stakeholders.
- Specify the individuals or departments responsible for authorizing and overseeing direct purchases.

Record keeping:

- Maintain comprehensive records of the direct purchase process, including communications, negotiations, and final agreements.
- Ensure compliance with recordkeeping policies and regulations.

7.4 SOLICITATION DOCUMENTS

7.4.1 OVERVIEW

Use KnK Japan's standard solicitation templates when seeking offers from vendors through RFQs, ITBs, or RFPs. These templates are comprehensive, incorporating essential information

for vendors to prepare suitable offers. They are structured with mandatory requirements, customized terms and conditions specific to the goods or services, and tailored to the chosen procurement method, be it informal or formal. Each template requires completion with details relevant to the specific solicitation.

While the complexity of solicitation documents may vary based on the nature and value of the requirements, they must uniformly encompass all necessary information and provisions. This ensures that bidders can comprehend KnK Japan's needs and submit competitive offers. Solicitation documents should be concise yet thorough, containing all pertinent details for a specific process. Importantly, once issued, no new requirements can be introduced, and existing ones cannot be altered unless formally amended.

KnK Japan's solicitation documents usually consist of the following components:

- a. Letter of Invitation (main tender document);
- b. Acknowledgment Letter;
- c. Statement of Works/Requirements;
- d. Special Instructions and Evaluation Criteria;
- e. Performance Security Form (if applicable);

7.4.1.1 LETTER OF INVITATION

The Letter of Invitation, positioned on the first page, plays a crucial role, containing essential elements such as:

- a. Reference to the specific procurement activity (title and reference number).
- b. List of sections in the solicitation documents and supporting documents.
- c. Name and contact details of the KnK Japan Procurement Official overseeing the process.
- d. Assurance that any additional information, clarifications, or modifications will be communicated in writing before the submission deadline.
- e. Notification to vendors about the right to modify or correct quotations, bids, or proposals before the submission deadline.

f. Request for vendors to keep offers valid for a specified period (e.g., 60-180 days for ITBs and RFPs, 30-60 days for RFQs).

g. Specification of the currency for quoting prices and details on contract currency and payment.

h. Conversion of offers to a single currency using the operational exchange rate if offers are received in another currency.

i. Stipulation that bids should be submitted net of any direct taxes.

j. Indication of whether Bid Security is required, with details on the amount and form.

k. Requirement for bidders to identify subcontractors and clarification on the KnK Japan's relationship with subcontractors.

l. Preparation of solicitation documents and offers in English and/or other language as determined by KnK Japan.

m. Consideration of translation into local languages for local vendors' convenience, with a disclaimer that the English version governs contractual relations.

n. Clear indication of the deadline for submission, including date, time, and place, and details on the opening of offers (if public).

o. Recommended minimum solicitation periods to allow vendors sufficient time for preparation.

p. Authorization process for a shorter solicitation period, requiring justification, and confirmation of the evaluation committee's availability.

These elements ensure clarity, transparency, and fairness in the solicitation process.

The solicitation documents must provide a comprehensive set of instructions for the preparation and submission of offers. This includes a list of required documents and a notice that non-compliant offers may face rejection. A compliant offer aligns substantially with all terms, conditions, and specifications in the solicitation documents.

The Invitation Letter should cover essential details such as:

- Mode of submission.
- Address for submission.
- Instructions on offer packaging, including whether separate technical and financial offers are required (two-envelope system).

Additional information in the Letter of Invitation includes:

- Whether a public tender opening will occur, with details if applicable (date, time, venue).
- Indication of whether Performance Security is required, specifying the amount and form.

Specification of payment terms:

- i. Typically net 30 days upon receipt of a satisfactory invoice and required documents, along with the acceptance of goods or services.
- ii. Avoidance of advance payments, except under exceptional circumstances recorded by the Procurement Official. Any advance or progress payments must comply with relevant approval thresholds.
- iii. Lease payments made in the same month as they relate are not considered advance payments, while payments made before the corresponding month are treated as advances.

The Acknowledgment Letter serves as a notification by the vendors, advising the Procurement Official whether they intend to submit a proposal/bid and/or attend the public tender opening.

The Scope of Work for the Requirements should be included so that the bidders have all information necessary to prepare a responsive and meaningful offer. The Scope of Work and the Form of Contract are drafted in a way that they are coherent with each other.

It shall also include price information and additional information, such as whether a contract will be signed based on fixed price/lump-sum, or cost reimbursement in suitable cases (such as for travel/DSA).

7.5 Site Visits and Bidders' Conferences

7.5.1 SITE VISITS

The Special Instructions Annex in the solicitation documents provides information on any planned bidders' conference or site visits for the tender. Key points related to site visits are:

a. Mandatory or Non-Mandatory Attendance:

- The Procurement Official, with input from the Requisitioner, decides if site visits are necessary and if attendance should be mandatory.
- Mandatory attendance is considered when on-site understanding is crucial for bidders, improving the quality of submissions.

b. Non-Mandatory Site Visits:

- If non-mandatory, bidders not attending relinquish the benefits of enhanced knowledge of on-site conditions.
- Lack of knowledge from non-attendance is not accepted as grounds for non-compliance with contractual obligations.

c. Guided and Non-Guided Site Visits:

- Guided visits follow an organized itinerary and agenda shared with bidders.
- Non-guided visits allow bidders to visit within a specified time window at their initiative.

d. Alternative Means for Site Understanding:

- In cases where site visits are impractical, videos or electronic means during the bidders' conference may be considered, especially for non-mandatory visits.

e. Costs and Participation:

- Prospective bidders bear all costs related to their participation in site visits.

f. Details about Guided and Non-Guided Site Visits:

- Guided Site Visits: KnK Japan organizes an itinerary, and compliance is necessary for attendance certification.
- Non-Guided Site Visits: Bidders can visit at their initiative within a specified time

window. KnK Japan personnel do not facilitate these visits directly.

g. Use of Videos or Electronic Means:

- In cases where physical visits are impractical, the use of videos or electronic means during the bidders' conference may be considered.

h. Cost Responsibility:

- Prospective bidders are responsible for all costs related to their participation in site visits.

7.5.2 BIDDERS' CONFERENCES

The purpose of a bidders' conference is to enhance bidders' understanding of the solicitation requirements. Key points include:

a. Mandatory Participation:

- Mandatory participation is determined by the Procurement Official and Requisitioner when bidders may not grasp the requirement fully from solicitation documents alone.
- In most cases, participation is optional (non-mandatory).

b. Electronic Means Encouraged:

- Electronic means are encouraged for organizing conferences, especially for non-mandatory ones, making it convenient for bidders.

c. Questions Submission:

- Bidders should submit questions in writing before the conference for orderly addressing.
- Additional questions may be allowed during the conference if beneficial.

d. Information Validity:

- Information shared during conferences is for informational purposes only.
- Any modification or clarification to solicitation conditions is valid only through a formal amendment.

e. Question Response Obligation:

- The Procurement Official responds to questions helpful for clarifying requirements.
- All written questions submitted within the specified timeframe must be answered in writing.

f. Record Keeping:

- A record of attendees is kept, especially for non-mandatory conferences.
- Only bidders directly invited by KnK Japan may attend, with exceptions requiring Approval Authority approval.
- Prospective bidders bear all related participation costs.
- A single representative may not represent multiple companies, with exceptions for subsidiaries of the same group, subject to Procurement Official approval. The number of participants may be limited for logistical reasons.

7.5.3 Mandatory Site Visits and Mandatory Bidders' Conferences

In the case of mandatory bidders' conferences or site visits:

a. Mandatory Participation:

- Attendance in all sessions is mandatory for participants. Missing any session will result in non-attendance, while slight delays are permissible.

b. Bidder Responsibility:

- Bidders are solely responsible for attending, considering factors like flights, visas, and security clearance. KnK Japan assumes no responsibility for attendance hindrances.

c. Attendance Certification:

- In-person conferences require participants to sign an attendance sheet for each session/day, kept on file by the Procurement Official. Electronic conferences may use alternative means for certification.

d. Visa Facilitation:

- Upon request in advance, KnK Japan may assist in providing a letter to support visa applications. However, this is not obligatory, and bidders should primarily secure their visas.

e. Exclusion for Non-Participation:

- Bidders failing to participate in mandatory site visits or conferences, and thus ineligible for the award, will be excluded from further communication regarding the solicitation, including amendments or notices.

7.6 PARTIAL BIDS/SPLIT AWARDS

In the solicitation document, it's important to specify whether partial offers, known as "lots," are acceptable. If the requirements are divided into lots, the document should clarify whether bidders must submit bids for all lots or have the option to bid on specific ones. Additionally, it should outline whether KnK Japan may award one contract for the best overall bid or multiple contracts based on the best proposal per lot (split award).

When considering a split award, factors such as potential cost savings, administrative efforts for managing multiple contracts, and associated risks should be evaluated. It's crucial to avoid splitting requirements to bypass formal competition thresholds or to evade review by a Review Committee or approval by the Procurement Approving Authority. The issuance of separate tenders for related requirements must be approved by the appropriate Procurement Approving Authority based on the cumulative estimated value of the total requirement.

7.7 ADVANCE SECURITY PAYMENT

KnK Japan does not approve advance payments by default. If a decision is made to allow advance payments, it must be documented in writing. In cases where advance payments are permitted and communicated to bidders, the Procurement Official should specify whether the winning bidder must provide a performance security guarantee related to the advance payment. If an Advance Payment Security is mandated, bidders must consider this requirement in pricing their proposals/bids.

7.8 EVALUATION CRITERIA

The solicitation documents must clearly outline the evaluation method corresponding to the designated solicitation type (RFQ, ITB, or RFP). Additionally, the documents should specify the evaluation criteria, including preliminary screening for compliance, mandatory criteria,

technical criteria, and financial criteria. These criteria need to be tailored to the specific type, nature, market conditions, and complexity of the procurement, ensuring detailed specifications in the solicitation document. The goal is to achieve the Best Value for Money, and the evaluation process must adhere to the formal criteria outlined in the solicitation documents.

7.8.1 PRELIMINARY SCREENING

During the preliminary screening phase, the Procurement Official will assess the submission's compliance with the solicitation documentation and relevant criteria. Examples of these formal criteria include:

- a. Submission of required documentation, including the bid submission form, with necessary signatures in specified key sections, if outlined in the tender.
- b. Submission of required securities, if applicable.
- c. For RFPs, submission of the offer in two separate envelopes: one for the technical proposal and another for the financial proposal.
- d. Full or partial coverage of the requirement in the offer, especially in the case of partial bids.
- e. Inclusion of evidence indicating acceptance of other crucial conditions specified in the solicitation documents, such as performance security.
- f. Confirmation that the bidder does not have a conflict of interest.
- g. Inclusion of the bidder in the List of Invitees.

7.8.2 MANDATORY AND TECHNICAL CRITERIA

Mandatory Criteria:

- a. Evaluation of mandatory criteria, as outlined in the solicitation document, follows a pass/fail approach, irrespective of whether the solicitation is an RFQ, ITB, or RFP.
- b. The determination of mandatory criteria should have a rational basis aligned with the fundamental purpose of the requirement. The Procurement Official, in collaboration with the Requisitioner, should consider factors such as the contract's value and the complexity of the solicitation process. The use of mandatory criteria should not be aimed at restricting competition. Examples of factors that may be considered as mandatory criteria include:

- i. Compliance with legal and regulatory requirements, such as registration certificates, licenses, standards, etc.
 - ii. Minimum requirements related to the value of previous contracts.
 - iii. Presence of after-sales services or agents in the country of delivery.
 - iv. Qualifications and experience of proposed personnel.
 - v. Absence of adverse reports relevant to the requirement within a specified timeframe.
 - vi. Evidence of continuous business in providing similar goods/services for a specified number of years.
 - vii. Institutional and workload capability, including the capacity and availability of production sites and staff.
 - viii. Financial capability, such as achieving a minimum annual sales turnover and meeting financial profitability and liquidity ratios over one or more past years.
- c. A bidder must satisfy all mandatory criteria for the respective lot recommended for the award. KnK Japan will determine awards for each lot to optimize the overall value-for-money.

Technical Criteria:

Technical criteria are evaluated on a pass/fail basis, ensuring compliance with specifications and other requirements in RFQs and ITBs. In RFPs, a cumulative weighted analysis evaluation method is employed, involving the allocation of points based on weighted criteria. These criteria assess the approach and methodology proposed to achieve expected results or solve identified problems outlined in the requirement definition (TOR or SOW). The solicitation documents should transparently outline the technical criteria in descending order of priority, indicating their allocated scores and weights. The highest-scoring technical criteria should be presented first, without explicitly specifying the weight assigned to each criterion.

In RFPs, KnK Japan may introduce technical points for interviews/oral presentations, either for all bidders or those meeting a minimum evaluation score. This is applicable when assessing the overall quality of proposals aligns with normal commercial practice. The criteria for interviews should be pre-established, objective, and contribute to validating information

provided in the proposal while testing the bidder's understanding of the requirement. Properly managing the process is crucial, and the RFP should clarify the purpose of the interview/oral presentations.

It's advisable to include approximate dates for such sessions in the solicitation documents if reasonably estimable.

7.8.3 RATING TECHNICAL CRITERIA

The Requisitioner, in collaboration with the Procurement Official, must devise a rating system within the SSP to objectively evaluate submissions. The technical evaluation criteria, when feasible, should be framed to enable the assessment of bidder responses through measurable and quantifiable indicators. This rating system, pertinent to the requirement, should incorporate numerical scores accompanied by a narrative description of each rating, further clarified by an explanatory context. For example:

Criteria	Benchmarks
Years of establishment	Minimum 3 years
Background experience	At least 3 years of experience
Relevant experience	At least 10+ Orders implemented for the same type of supply during the last 3 years
Registration with authorities	e.g. with SECP, PEC , FBR etc.
Clients' Evaluation	Certificates of satisfactory completion of delivery during the last three (3) years as appropriate.

S. No.	Description	Maximum Points
i)	Year of establishment minimum 3 years	TBD*
ii)	At least 3 years of background experience	TBD
iii)	At least 10+ orders implement for the same type of supply during last 3 years	TBD
v)	Experience with KnK Japan	TBD
vii)	Registration with Income Tax Department & Sales Tax	TBD
viii)	Valid License/certificates for other related items of Work	TBD
	Total:	100

TBD means “to be decided” and is bid-specific.

7.8.4 FINANCIAL CRITERIA

Price holds significance in the evaluation process, but its weight depends on the chosen evaluation methodology. The solicitation documents must explicitly outline the price factors

considered for evaluation, encompassing elements like freight cost, operational expenses, incidental or start-up costs, and potentially life cycle costs. The breakdown of pricing and evaluation criteria should be clearly specified in the solicitation documents.

Financial evaluation will solely consider factors explicitly stated in the solicitation documents. KnK Japan might provide estimates of personnel and other inputs required for achieving expected results to aid bidders, but revealing the contract budget is discouraged unless approved by the Director, PD, or the CPO.

Financial Criteria	Maximum Marks
Financial stability	TBD
Price competitiveness	TBD
Cost realism	TBD
Total	100.

COMBINED EVALUATION

Combined evaluation criteria will look holistically at both technical and financial criteria to critique and decide which bidder satisfies the prerequisite skills, experience, and resources criteria in an objective manner and decide, ultimately, which vendor/bidder to choose from. The process will be free from bias and will give preference to those that meets all important aspects required to satisfy the requirements.

Combined evaluation will comprise of weightage assigned to total score for each of the technical and financial criteria assessed individually. Weightage is not standardized and will be bid/project-specific. After the application of the weightage, a weighted average score will be determined and the project will be awarded based on QCBS (quality and cost-based selection) or LCB (lowest cost bidder), unless exceptional cases arise, which will ultimately be decided/approved by the procurement director.

7.8.4.1 LIFE CYCLE COST

KnK Japan may indicate in the solicitation document that financial evaluation will encompass the full life-cycle cost, considering various aspects of the product from purchase to disposal or residual value. This comprehensive approach involves evaluating initial cost, freight, operational expenses, installation and training, maintenance, and disposal costs. Life cycle costing is applied when operational and maintenance costs over the specified product life are substantial, varying among different offers.

The solicitation document should specify:

- a. The minimum number of years for life cycle cost consideration, reflecting the expected product or service lifespan.
- b. The methodology for calculating operational and maintenance costs, detailing the information required from bidders in their offers.

7.8.4.2 EVALUATION CRITERIA FOR JOINT VENTURES

A bidder has the option to collaborate with other entities, especially those in the country where goods/services will be provided. However, it is strongly recommended to have contracts signed with a prime vendor, with any additional partners acting as subcontractors to mitigate legal risks. In cases of joint ventures or consortia:

- a. All parties involved are jointly and severally responsible for obligations arising from the offer and potential contract.
- b. The offer must clearly specify a designated entity as the contact point for interactions with KnK Japan, possessing the authority to make binding decisions throughout the solicitation process.
- c. The composition or constitution of the joint venture or consortium cannot be altered without KnK Japan's prior consent.

If joint ventures are expected, the solicitation document should clarify how each evaluation criterion applies, indicating whether they are combined for all members, individual for each member, or met by at least one member. Mandatory criteria often apply to the entire joint venture, while eligibility criteria are per each partner.

7.9 REQUISITE FORMS/SCHEDULES FOR BIDDERS

The solicitation document must specify certain forms or schedules that bidders need to complete and include in their bids/proposals. The complexity of the requirements and the chosen solicitation method determine the number and types of forms/schedules. Once the bidders provide the requested information and a contract is awarded, details from the successful bidder's bid/proposal and associated schedules will be extracted and integrated into the contract to be signed. The bid/proposal document is typically not attached to the contract.

7.9.1 BID/ADVANCE PAYMENT/PERFORMANCE SECURITY FORM AND REQUIREMENTS

When necessary, Procurement Officials must incorporate the relevant forms for Bid Security or Advance Payment Security in the solicitation documents. If the winning bidder is obligated to provide performance security, the solicitation should also include the specified form for performance security. Procurement Officials need to confirm that bidders, as part of their offers, acknowledge and agree to comply with the stipulations regarding the provision of such security.

7.9.2 BID SECURITY FORMS AND REQUIREMENTS

The primary purpose of Bid Security is to discourage irresponsible offers and mitigate potential risks associated with the bidding process. KnK Japan may request Bid Security to address concerns such as bid withdrawal, failure to sign the contract, non-compliance with specified conditions, or the lack of required performance security. While not mandatory for every solicitation, it is advisable under certain circumstances, including high-value contracts, urgent requirements, emergencies, and situations with a high risk of offer withdrawal. The amount and form of Bid Security, often a bank guarantee, should be clearly specified in the solicitation documents. The security amount should consider factors like evaluation costs, re-tendering expenses, and the contract's estimated value. It is typically released to unsuccessful bidders after the contract is signed with the winning bidder. The Bid Security value is determined based on various elements and is expressed as a specific lump sum, avoiding percentage indications to maintain confidentiality. Alternative forms of security may be accepted, subject to legal review or approval by higher authorities, and their acceptable formats must be outlined in the solicitation documents.

7.9.3 PERFORMANCE SECURITY REQUIREMENTS

Performance security, as required by KnK Japan in solicitation documents, is a measure to safeguard against the risk of non-performance and contractual breaches by the winning bidder post-award. Typically, this security is in the form of an unconditional and irrevocable on-demand bank guarantee. While alternative forms (e.g., bonds, demand drafts, cashier's cheques) may be considered with legal advisor review, a bank guarantee is the norm. The value of the performance security is influenced by factors like the nature, risk, and scale of the goods or services involved in the contract. It should align with the assessed risk, reflecting potential losses to KnK Japan in case of contractor non-performance. The value is contingent

on market conditions, local factors, and the geopolitical situation at the end-user location. Generally, the performance security value should not exceed 10% of the contract value to avoid deterring bidder participation and prevent increased costs in the financial proposals due to higher security percentages.

7.9.4 FORM OF CONTRACT

The inclusion of a contract form in solicitation documents allows bidders to familiarize themselves with the terms and conditions of the agreement before submitting bids. The documents should specify that bidders are expected to accept the provided contract form and, if they have any comments or reservations, these should be submitted along with their bids. Failure to submit comments or reservations will be considered acceptance of all contract terms by KnK Japan. However, the acceptance of such comments or reservations, if the bidder is awarded the contract, is not automatic. The solicitation documents should clearly outline the consequences of a bidder's failure to accept the form contract, indicating whether it may lead to disqualification or impact the bidder's score. In cases where modifications to the contract form are proposed, these should be carefully reviewed and approved by the Legal Advisor before inclusion in the solicitation documents or contract signing. Any modifications apply only to the specific procurement action and should not set a precedent for other actions or alter general provisions.

7.10 VENDOR INVITATION

Once the solicitation documents are ready, they must undergo approval from the relevant Procurement Approving Authority with the appropriate delegated procurement authority before issuance or any amendments. Following approval, the documents are distributed simultaneously to potential vendors in the List of Invitees, bearing the signature of the Procurement Approving Authority. This list includes vendors identified through various analyses like market research, expression of interest (EOI), or prequalification. Interested vendors not initially included can request access, given timely registration. For electronic issuances, the Procurement Official ensures a limited editing format. The solicitation document explicitly disclaims KnK Japan's responsibility for the effective delivery of electronic documents. A signed copy of the solicitation documents and List of Invitees, along with issuance documentation, is retained by the Procurement Official for audit trail purposes.

In order to safeguard the principle of competition, KnK Japan shall not disclose the names of any invited companies.

7.11 AMENDMENTS TO SOLICITATION DOCUMENTS

Before the submission deadline, KnK Japan has the authority to modify solicitation documents through formal amendments, initiated by KnK Japan or in response to vendor clarification requests. Questions and answers from bidders, along with pertinent documents shared during bidders' conferences, become part of the solicitation through amendments. Procurement Approving Authority approval is mandatory for such amendments, issued with sufficient time before the submission deadline for vendors to adapt their offers. Amendments may warrant deadline extensions, determined on a case-by-case basis.

To maintain equal information among vendors, amendments are simultaneously sent in writing to all invited vendors. Bidders not attending mandatory conferences, and thus ineligible for an award, need not receive amendments unless a new attendance opportunity is presented through an amendment. If a significant change or introduction of new requirements occurs in an amendment, the Procurement Official may consider canceling the current process and initiating a new one, respecting the operational context's allowances and considering potential impacts on market interest.

It is crucial to note that clarifications may be sought from bidders to enable objective evaluation of the bids, provided that such clarifications do not alter the substance of the bids.

7.12 CANCELLATION OF SOLICITATION PROCESS

KnK Japan retains the authority to cancel a solicitation without recourse before contract award, subject to approval from the relevant Procurement Approving Authority. Justifications for cancellation may include the invalidation of the initial solicitation justification or the need for substantial requirements revision. In case of cancellation, all bidders are formally notified in writing, and their submitted offers are made available for collection. KnK Japan may, at its discretion, discard unopened offers without additional notice. Any costs related to returning offers are not borne by KnK Japan, and the Procurement Official is responsible for ensuring the return of bid securities to the respective bidders.

7.13 DIRECT CONTRACTING UNDER SOLE SOURCE

When justifying direct contracting through sole sourcing, a Procurement Official, after approval from the Procurement Approving Authority, can request an offer from a single vendor. Despite bypassing the competitive process, responsibilities and accountabilities in the procurement process remain intact. The contract should be awarded to a vendor with an offer

that substantially aligns with requirements at a reasonable price. The required steps for direct contracting include seeking necessary approvals, defining requirements, optionally posting a synopsis through a request for Expression of Interest (EOI), soliciting an offer from the chosen vendor, evaluating the offer, conducting negotiations if needed, and awarding the contract at the appropriate approval level. While standard solicitation documents are not mandatory due to the lack of competition, Procurement Officials should still seek comprehensive information from the vendor to facilitate evaluation based on predetermined criteria and ensure alignment with KnK Japan's needs.

7.14 SOLICITATION OF OFFERS AGAINST LONG-TERM AGREEMENTS

When utilizing a Long-Term Agreement (LTA) for required goods or services, the approach for soliciting offers depends on the LTA's setup:

Single-Vendor LTA or Multiple-Vendor LTA Without Secondary Bidding:

- Procurement Officials directly contact the contractor to confirm the call-off based on LTA terms.
- Inquiries about shipping costs may be made if applicable.

Multiple-Vendor LTA with Secondary Bidding:

It's advisable to use a standard template, possibly a simplified version of the standard RFQ template.

- Item descriptions should reference the LTA item.
- Secondary bidding offers may not require secure submission unless decided by the Procurement Official.
- A documented note justifying the final selection decision should be included in the file.

LTAs are restricted to ordering goods or services specified in the agreement. If additional requirements arise, other solicitation methods must be used unless a justified sole-source decision is possible. Expanding the LTA's scope for additional needs necessitates a new solicitation or a properly justified sole-source decision.

7.15 COMMUNICATION WITH VENDORS

During the period of tendering, there should be no direct communication between vendors and the KnK Japan Procurement Official regarding the content of the solicitation documents or proposals. Any inquiries or requests for clarification from vendors must be conducted through formal channels, such as written correspondence or participation in a bidders' conference. In the case of queries, written minutes will be produced and shared with all potential bidders to ensure transparency. Vendors seeking clarifications should submit their queries in writing to the designated KnK Japan contact mentioned in the solicitation documents. KnK Japan will then provide written responses to these queries, sharing them simultaneously with all vendors and maintaining confidentiality by not disclosing the source of the queries.

Additionally, interactions with vendors, including participation in conferences, trade exhibitions, or similar events, should be coordinated in consultation with procurement officials. Requisitioners are allowed to engage with contractors (those who have been awarded contracts) regarding matters related to the execution and management of an existing contract within its defined scope. It is crucial for requisitioners to keep procurement officials informed of their communications with contractors and maintain records for potential future disputes. Any requests to modify the terms of a contract must be negotiated by procurement officials and formally agreed upon through a contract amendment signed by the authorized procurement official. This process helps prevent claims that may arise due to the requisitioner's perceived authority to amend the contract.

An exception to the standard formal methods of solicitation may occur in situations where there is no competitive market for the required goods or services. This could be the case in a monopoly, where prices are legislatively or governmentally fixed, or when dealing with a proprietary product or service. If the rationale for not using formal solicitation methods is fixed prices or rates, the Procurement Official should explicitly document this in the request for award, specifying the regulatory body or law governing rates. Additionally, if possible, the request for approval should include a current schedule of prices or rates.

7.16 PROPRIETARY PRODUCT OR SERVICE

In brief, a proprietary product or service refers to situations where only one source is reasonably able to fulfill KnK Japan's needs. This may involve:

- a. Items with legal restrictions like patents or copyrights.

b. Goods or services exclusively available from a particular vendor, with no reasonable alternatives.

If there's an exemption from using formal solicitation methods due to the absence of a competitive marketplace, fixed prices, or proprietary nature, the Procurement Official must document the reasons, including demonstrating the reasonableness of the price through comparisons, such as with previous purchase prices.

7.17 PREVIOUS DETERMINATION OR NEED FOR STANDARDIZATION

In essence, the term "previous determination" refers to situations where a product is identified based on a past purchase. For instance, if a piece of equipment was previously bought, and now specific components must be replaced, or if complex services were initially obtained from a vendor and only that vendor can realistically provide additional required services.

Standardization is deemed acceptable when identical goods, equipment, or technology have recently been procured from a previous KnK Japan contractor. This is particularly applicable when there is a need for compatibility with existing goods, equipment, technology, or works. The decision to standardize considers factors such as the effectiveness of the original procurement in meeting KnK Japan's needs, the scale of the proposed procurement compared to the original, the reasonableness of the price, and the absence of suitable alternatives for the specified goods. In all cases, an appropriate technical authority must officially endorse the standardization.

A competitive process is recommended when multiple sources of supply are available. However, if there's a decision not to employ formal solicitation methods due to previous determination or standardization, the Procurement Official must provide documented justification. This documentation should include the reasons behind the exemption, details of any previous determination or the need for standardization, the terms signed by the relevant technical authority, and an assessment of the reasonableness of prices.

7.18 NO SATISFACTORY RESULTS FROM PREVIOUS FORMAL METHODS OF SOLICITATION

An exception to formal solicitation methods may occur when a prior formal solicitation did not yield satisfactory results within a reasonable prior period, limited to six months from the closing date of the failed process. To invoke this exception, the Procurement Official must ensure thorough market research, be convinced that repeating a formal solicitation will not

produce satisfactory results, and document the details of the failed process, its outcome, the rationale for expecting unsatisfactory results again, the reasonableness of prices, and the prevailing market rates for the requirement.

7.19 EMERGENCY SCENARIO (EXIGENCY)

An exception to formal solicitation methods may be made for exigency, which refers to exceptional, compelling, and emergent needs that are not due to poor planning. Exigency arises in situations like emergencies or force majeure, posing serious damage or loss if not addressed immediately. To justify this exception, the Procurement Official must document how deviating from formal methods will meet the schedule and mitigate adverse impacts, such as damage or injury. Additionally, the reasonableness of the price and the rationale for selecting a specific vendor over others should be confirmed.

7.20 UNABLE TO EVALUATE SERVICES OBJECTIVELY

In certain situations, an exemption from formal solicitation methods may apply to research, experiments, studies, or development activities leading to the procurement of a prototype. This exemption is valid unless the requirement involves producing goods in quantities for commercial viability or cost recovery. Similarly, the exemption can be applied to services from specific vendors for cutting-edge technology or new methodologies where reliable comparisons are impractical. To justify this exception, the Procurement Official must document why the specific requirement can only be fulfilled through this exemption and why objective evaluation is not possible. Additionally, the Procurement Official should document a benchmark for the quoted price or how the reasonableness of the price has been established.

8. MANAGEMENT OF SUBMISSION

8.1 TENDER OPENING COMMITTEE

A Tender Opening Committee (TOC) is responsible for managing submissions in response to formal solicitation exercises. Their duties include receiving, recording, and safeguarding submissions, as well as conducting formal tender opening meetings. In the case of informal solicitation exercises, the TOC is also responsible for releasing offers to Procurement Officials. To maintain the integrity of the procurement process, a TOC must comprise a minimum of two appointed staff members not involved in the procurement process. These committees may be either permanent or temporary, serving during a limited time, such as for a specific tender. The TOC and other KnK Japan staff members are prohibited from disclosing substantive information, except for solicitation documents, amendments, questions, clarifications, and answers to vendor inquiries, which should not be made public.

8.2 RECEIPT AND SAFEGUARDING OF SUBMISSIONS

The solicitation documents will clearly specify the method of delivery and the deadline for receiving submissions. Submissions can only be delivered through, courier service, as outlined in the solicitation documents. Any submissions not adhering to the specified instructions may face rejection.

The TOC members are responsible for receiving and safeguarding submissions for formal solicitation exercises. To facilitate this process, the Procurement Official provides the TOC with a summary of solicitation details immediately after issuance, including tender dates, reference, title, method, invited vendors, and bid abstract if applicable. Upon submission, the TOC records the time of receipt, secures evidence (like signed delivery receipts or tracking information), and stamps hard copies with the date and time.

Received submissions are stored securely in a restricted area and remain sealed until the formal opening time. Only designated individuals, the TOC members, have access to this area during this period. Any exceptional access needed by others is restricted in time and under TOC escort. TOC members ensure the confidentiality of the submissions.

If a submission is mistakenly opened before the scheduled time, it is reported to the Director PD or CPO and noted in the procurement file. The decision to accept such a submission is at the discretion of the Director PD or CPO. If accepted, it is immediately sealed and marked

accordingly.

8.2.1 RECEIPT AND SAFEGUARDING OF SUBMISSIONS DELIVERED BY COURIER

The TOC is responsible for receiving Submissions during normal business hours via courier only, following tender instructions. Submissions should be sealed in an envelope with the vendor's name, tender number, and tender opening date/time marked.

Before securing a submission, the TOC reviews the envelope for completeness and verifies the vendor's eligibility by checking the list of invited vendors. They record the date and time of receipt and any security instruments, like bid bonds, received. All security instruments are meticulously recorded, tracked, and securely stored, meeting the necessary standards for instruments with monetary value. The original bid bonds are submitted to the TOC through the Bid Bond form, detailing all bid bonds received, for safekeeping with Treasury.

8.3 MODIFICATION AND WITHDRAWAL OF SUBMISSION MODIFICATION:

Bidders are allowed to modify submissions in writing before the closing date and time of the solicitation. In the case of modifications, the latest offer submitted before the deadline is considered binding. The modification must adhere to the original submission instructions outlined in the solicitation documents. If a modified submission is received after the closing date and time, it will not be considered, and the bidder will be notified accordingly. It's important to note that KnK Japan is not accountable for errors in pricing made by the vendor, and the vendor is obligated by the provided prices. In case of discrepancies between total and unit prices, unit prices prevail unless a clear typographical error or mistake is evident.

WITHDRAWAL:

Bidders have the option to withdraw submissions in writing before the closing date and time of the solicitation. However, the withdrawal can only be accepted if KnK Japan receives written notification before the specified deadline for offer submission. Upon formal withdrawal notification from a vendor, the Tender Opening Committee (TOC) will segregate the withdrawn offer from other submissions, ensuring it remains unopened during the opening ceremony. Upon receiving written agreement from both the bidder and Procurement Official, the TOC will either destroy the unopened submission or return it to the bidder at their expense, if requested.

8.4 MODIFICATION AND WITHDRAWAL OF BIDS POST-SUBMISSION

If a withdrawal request or modifications to submissions are received after the submission deadline, KnK Japan is not obligated to honor them. In such cases, KnK Japan will proceed to open the submission along with others and formally notify the vendor in writing. If the bidder has provided bid security with the submission, KnK Japan will withhold the bid security with the intent to invoke it if the submission is selected after evaluation, and the bidder refuses to fulfill the offered goods/services. The Procurement Official is responsible for ensuring the bid security remains valid. If no bid security was requested, negotiations will be initiated to resolve the matter. KnK Japan may consider accepting a withdrawal after the submission deadline if the bidder can justify it, and this decision should be carefully assessed by the appropriate Procurement Approving Authority up to the level of Director, PD, or CPO.

8.5 LATE SUBMISSIONS

It is the responsibility of the bidder to ensure the timely delivery and receipt of their submissions. Submissions arriving after the submission deadline may be rejected by the Organization. The Tender Opening Committee (TOC) will note such rejections in the tender opening report unless a decision is made to accept the late submission based on a comprehensive evaluation of the circumstances and the Organization's best interests.

Considerations for accepting or rejecting a late submission include:

- a. The extent of the delay;
- b. Clear evidence that the submission was received at KnK Japan's designated location before the closing deadline;
- c. Emergency or events disrupting normal KnK Japan processes preventing timely receipt;
- d. Whether the vendor made best efforts to submit on time.

The acceptance of late submissions is case-specific. The Director, PD, or CPO may consider late submissions received before the initiation of the evaluation process, given that the delay was beyond the vendor's control and does not create unfair advantages. The TOC must promptly submit details of any late submission to the Director, PD, or CPO for consideration, and the decision will be communicated to the bidder by the Procurement Official.

Rejected submissions will remain unopened and forwarded to the Procurement Official. The

bidder will be officially notified in writing of the rejection, and the submission will be destroyed or returned to the bidder at their own cost if requested.

8.6 UNSOLICITED SUBMISSIONS

Unsolicited submissions from vendors not invited by KnK Japan will generally be rejected by the Director, PD, or CPO, and the vendor will be informed in writing, unless an exceptional decision is made to accept the submission. Such unsolicited submissions, if rejected, will remain unopened and be destroyed or returned to the vendor at their own cost upon request.

Submissions from vendors not on the List of Invitees but seemingly related to an invited vendor will be brought to the attention of the Procurement Official. The Procurement Official will contact the original invitee for clarification.

Submissions from vendors related to the original invitees, based on business arrangements, may be accepted with documented evidence of the corporate relationship. Submissions from vendors appointed as representatives by the original invitee may be accepted, provided the invitee informs KnK Japan in advance with proof of appointment before the submission deadline, subject to approval by the most senior Procurement Official.

The acceptance of unsolicited submissions, in general, is at the discretion of the Director, PD, or CPO, based on professional judgment and a comprehensive analysis of potential benefits. Care must be taken to verify the legitimacy of the submitting vendor, ensuring they are a bona fide vendor meeting all registration prerequisites and status.

8.7 OPENING AND RECORDING OF SUBMISSIONS

Submissions for ITBs or RFPs shall be opened by the TOC consisting of duly authorized personnel.

8.7.1 ATTENDANCE AT TENDER OPENINGS

Tender openings for ITBs and RFPs are conducted at a specified time and location as outlined in the solicitation instructions. The event may be transmitted via webcast for participating bidders. Only bidders who have submitted an offer are allowed to designate one representative to attend the tender opening. This representative can be an employee, agent, or local representative designated by the bidder.

Bidders are required to inform the TOC in advance about the names of their attending

representatives through the tender acknowledgment letter. Each individual attending the meeting must have their name, title, and proper representation for the submitting vendor verified and recorded before the tender opening.

The appropriate Procurement Approving Authority has the authority to permit other parties to attend the tender opening as observers. However, all attendees, including bidders' representatives and other parties, are expected to act solely as observers and not actively participate in the opening process. Discussions or information exchange during the tender opening are restricted, and the TOC is responsible for formally announcing the opening proceedings and results.

8.7.2 OPENING AND POST-OPENING OF BIDS

All bids received in response to an ITB are opened and recorded by the TOC during a tender opening meeting at the specified time and location outlined in the solicitation instructions. During this meeting, the TOC announces and records the bidders' names. In the case of an ITB, the grand total price of each bid may also be announced. The TOC has the discretion to provide more detailed pricing information at the subcategory or line-level if deemed necessary.

At the time of opening, submissions cannot be rejected or invalidated by the Tender Opening Committee. Any inconsistencies, such as late submissions, are reflected in the tender opening report, and the TOC mentions during the public tender opening that these issues are brought forward to the Director, PD, or the CPO for decision on how to proceed.

Following the conclusion of the tender opening meeting, one TOC member escorts the bidders' representatives and other attendees out of the meeting room. All TOC members certify the tender opening procedure by signing the tender opening report. Paper submissions are marked or perforated with the tender reference number and opening date.

After the tender opening for ITBs, Submissions are securely kept, with access limited to authorized TOC members only, until the formal handover of Submissions to the Procurement Official. The original tender opening report, along with all Submissions, is handed over to the Procurement Official, who signs for receipt. The TOC retains a copy of the tender opening report.

8.7.3 OPENING AND POST-OPENING OF PROPOSALS

Only the technical proposals received in response to an RFP are opened and recorded by the TOC during a tender opening meeting at the specified time and location outlined in the solicitation instructions. The financial proposals remain sealed and undisclosed until after the completion of the technical evaluation of the proposals.

During the meeting, the TOC records and announces, for each bid, the bidder's name. Submissions cannot be rejected or invalidated at the time of opening by the TOC. Any inconsistencies, such as late submissions, are reflected in the tender opening report. The TOC mentions during the public tender opening that these issues are brought forward to the Director, PD, or the CPO for decision on how to proceed.

Following the conclusion of the tender opening meeting, one TOC member escorts the bidders' representatives and other attendees out of the meeting room. All TOC members certify the tender opening procedure by signing the tender opening report. All paper documents within the technical submissions, excluding catalogues and brochures, are marked or perforated with the tender reference number and opening date.

After the tender opening for RFPs, the original tender opening report and all technical Submissions are handed over to the Procurement Official, who signs for receipt. The financial Submissions are kept sealed in a secure location under the custody of the TOC until the completion of the technical evaluation.

Upon confirmation from the Procurement Official that the technical evaluation has been completed, the TOC opens the financial envelopes of technically compliant Submissions. For paper-based solicitation, the TOC marks or perforates the financial proposals with the tender number and date, handing them over to the Procurement Official along with sealed financial envelopes of technically non-compliant Submissions. The Procurement Official signs for the receipt of these Submissions. the TOC forwards the financial Submissions to the Procurement Official and keeps a copy for audit trail.

8.7.4 OTHER POST-OPENING PROCEDURES

The Procurement Official will furnish the relevant Submission documents to the appointed evaluation committees for the assessment of ITB or RFP. The tender opening reports for both ITBs and RFPs will be accessible to vendors for thirty (30) days from the tender opening date, allowing vendors to review reports only for the tenders they have submitted.

The Procurement Official is responsible for confirming the vendor registration status of all bidders who submitted a bid or proposal in response to the solicitation. If a bidder lacks the appropriate registration level for the imminent award, the Procurement Official will send a reminder to the bidder to provide the necessary information. Additionally, the Procurement Official will inform Vendor Registration Officials about the impending registration requests.

9. EVALUATION OF SUBMISSION

9.1 OVERVIEW

Evaluation is the process of thoroughly assessing and comparing Submissions in alignment with the predetermined evaluation methodology and criteria outlined in the solicitation documents. The primary objective is to identify the offer that best aligns with the evaluation criteria, ultimately presenting the optimal value for KnK Japan. A fair, objective, and well-executed evaluation is crucial as it leads to a recommendation for contract award.

Upon the receipt and opening of offers, the evaluation follows the criteria and method specified in the SSP (Standard Solicitation Package) and clearly outlined in the solicitation documents. It is essential to note that no new or revised evaluation criteria can be introduced during this process, and the method of evaluation cannot be altered.

The evaluation process involves several key steps, including preliminary screening, technical evaluation, completion of the technical evaluation report, opening of financial proposals for RFPs, financial evaluation (including justification of price reasonableness, if applicable), clarification rounds if necessary, and finalization of the evaluation report.

To ensure the validity of offers at the time of contract issuance, the evaluation must be concluded before the expiration of offer validity. Procurement Officials should also consider the time required for approval and contract issuance. If these conditions are at risk of not being met, Procurement Officials may formally request bidders, in writing, to extend the validity of their bids or proposals.

9.2 EVALUATION COMMITTEES

The Evaluation Committees play a crucial role in ensuring that vendors and their offers meet the requirements specified in the solicitation documents. Their primary objective is to evaluate offers based on pre-defined criteria, aiming to achieve the Best Value for Money and select the most suitable source to fulfill KnK Japan's needs objectively.

The Evaluation Committees consist of a Technical Evaluation Committee, responsible for the technical evaluation, and a Financial Evaluation Committee or Procurement Official, responsible for the financial evaluation. The decision on committee members is made by the requisitioning and procurement functions, documented for transparency.

The committees assess the ability of potential vendors to meet KnK Japan's minimum requirements and determine the relative merits of competing bids and proposals based on predetermined criteria. The Technical Evaluation Committee operates collegially, striving for consensus in decision-making. If consensus is unattainable, a majority vote or averaging of scores is employed.

The Chairperson of the Technical Evaluation Committee facilitates the process, encourages consensus, and maintains confidentiality. The committee's tasks include conducting the technical evaluation, preparing a written report ranking submissions, and providing a comprehensive analysis of technical acceptability, strengths, weaknesses, and observations from independent observers.

The Financial Evaluation Committee/Procurement Official manages the confidentiality and conflict of interest aspects, briefs the Technical Evaluation Committee, prepares a financial evaluation matrix, handles clarifications with bidders, and conducts the financial evaluation. The final comparison of competing proposals is done in accordance with solicitation documents and the SSP, with findings recorded and a recommendation for the award communicated to the Evaluation Committee.

9.3 EVALUATION CRITERIA

Evaluation criteria are divided into the following categories:◦

FORMAL CRITERIA: See [PRELIMINARY SCREENING](#)

MANDATORY AND TECHNICAL CRITERIA: See [MANDATORY AND TECHNICAL CRITERIA](#)

FINANCIAL CRITERIA: See [FINANCIAL CRITERIA](#)

9.4 EVALUATION METHODOLOGY

There are three (3) different evaluation methodologies that can be utilized depending on the solicitation method selected:

LOWEST PRICED, TECHNICALLY ACCEPTABLE OFFER:

This method of evaluation is used when the solicitation is made through informal methods: LVA or RFQ. The lowest-priced, technically acceptable offer methodology consists of the

following steps:

The quotation evaluation process involves:

a. Preliminary Screening:

-Assessing compliance with formal and eligibility criteria in the solicitation document.

b. Technical Evaluation:

-Determining compliance with mandatory criteria and substantial compliance with technical criteria.

c. Financial Evaluation:

-Evaluating technically compliant quotations based on the lowest price.

d. Vendor Selection:

-Properly justifying the choice of a vendor other than the lowest-priced option.

-Documenting and attaching the justification for monitoring and audit purposes.

-Including reasons for not choosing the lowest-priced option in the request for award, signed by the appropriate Procurement Official (or CO, in the case of LVA).

LOWEST PRICE, SUBSTANTIALLY CONFORMING BIDS

This evaluation method, applicable to ITB (Invitation to Bid) solicitations, prioritizes price as the key criterion for awarding a contract. The lowest-priced, substantially conforming bid involves:

a. Preliminary Screening:

-Assessing compliance with formal and eligibility criteria in the solicitation document.

-All substantially compliant bids proceed to technical and financial evaluation.

b. Technical Evaluation:

-Determining compliance with mandatory criteria and substantial conformity with technical criteria.

-Rejecting non-compliant bids; only those meeting or exceeding criteria are considered substantially conforming.

c. Financial Evaluation:

-Selecting the lowest-priced bid among substantially compliant bids based on financial criteria.

-Considering all prices, both compliant and non-compliant, for presentation to the Procurement Approving Authority, as ITB is a one-envelope procedure.

CUMULATIVE/WEIGHTED ANALYSIS:

This evaluation method, used for RFPs (Request for Proposal), prioritizes criteria other than price for achieving Best Value for Money. The combined analysis methodology involves:

a. Preliminary Screening:

-Assessing compliance with formal and eligibility criteria in the solicitation document.

-Compliant proposals proceed to the technical evaluation step.

b. Technical Evaluation (Mandatory Criteria):

-Determining compliance with mandatory criteria and rejecting non-compliant proposals.

-Only proposals meeting or exceeding mandatory criteria are considered compliant.

c. Technical Evaluation (Technical Criteria):

-Assigning technical points based on criteria in the solicitation document and SSP.

-Considering proposals meeting the minimum technical threshold.

d. Review by Financial Evaluation Committee/Procurement Official:

-Ensuring accuracy and adherence to pre-established criteria.

-Addressing discrepancies with the Technical Evaluation Committee.

e. Financial Evaluation:

- Opening financial proposals of offers meeting the minimum technical threshold.
- Allocating maximum points to the lowest-priced financial proposal.

f. Combined Analysis:

- Combining scores of technical and financial proposals.
- Considering the proposal with the overall highest score as Best Value for Money.
- Recommendation for award factors in risk, quality, and other relevant considerations, not solely dependent on total points.

9.4.1 PRELIMINARY SCREENING

In order to streamline the evaluation process and avoid investing resources in invalid offers, a preliminary examination is conducted against formal criteria outlined in the solicitation document. Offers may be rejected in the following scenarios:

a. Bid/Proposal Security Deviation:

- Lack of required bid/proposal security or non-compliance with amount or validity period.
- Authenticity concerns require direct contact with the issuing bank. If confirmation is not obtained, it is reported to the Procurement Official.

b. Submission Form and Signature Deviation:

- Absence of bid/proposal submission form or required signature as specified in the tender document.
- If a duly authorized signatory's signature is missing, and it appears unintentional, confirmation is sought. If provided, KnK Japan may accept the offer.

c. Financial Information in Technical Proposal (RFPs):

- In RFPs, substantial financial information in the technical proposal envelope related to the financial proposal requires approval from Director, PD, or CPO to accept the proposal.

9.4.2 TECHNICAL EVALUATION

Upon confirming compliance with formal and eligibility criteria in the preliminary screening, the technical evaluation proceeds with two sub-steps:

Evaluation of Mandatory Criteria:

-Mandatory criteria, if included in the solicitation document, are assessed to ensure bidders' qualification and capability to fulfill the contract.

-Criteria include meeting legal requirements, having minimum technical capability and experience, and financial capability.

-Mandatory criteria are evaluated on a pass/fail basis, applicable to RFQs, ITBs, or RFPs.

Technical Evaluation of Bids (ITBs) and Proposals (RFPs):

-ITBs: Bids are assessed against technical criteria in the solicitation document on a pass/fail basis. Bids with material deviations from required technical specifications are rejected.

-RFPs: Proposals are rated based on criteria specified in the SSP and solicitation document. A proposal is disqualified if it fails to achieve the minimum required points, as per the specified threshold.

-Financial proposals of disqualified technical proposals are retained unopened in the procurement file.

-Bid security or guarantee from unsuccessful submissions is promptly returned by the Procurement Official following contract award to the selected bidder.

9.4.3 FINANCIAL EVALUATION

Following the technical evaluation, all proposals meeting mandatory and technical criteria undergo financial evaluation. This process involves comparing offers based on financial criteria specified in the solicitation document. While price is a crucial factor, its weight depends on the evaluation methodology and financial criteria, possibly including life-cycle-cost analysis.

Key Steps in Financial Evaluation:

Correction of Errors:

-Mathematical errors are corrected by the Procurement Official for accuracy, using professional judgment and clarifications from the vendor.

-Bidders are given a reasonable time to respond to corrections, ensuring the opportunity is not exploited to alter prices.

Discounts and Currency Conversion:

-Discounts, if applicable, are evaluated, and currency conversion into the specified base currency is completed.

-Quantity discounts are considered where estimations can be reliably made.

Final price comparison in a single currency includes corrected errors, quantity discounts, and necessary adjustments.

Incoterms Evaluation (for goods procurement):

-If offers were received under different Incoterms, the evaluation report justifies the selected Incoterm for the award.

Material Deviation Consideration:

-Deviations are deemed material if the bidder refuses required price correction or offers less quantity than required (unless allowed by the tender).

RFP Financial Evaluation:

-Generally, the lowest-priced proposal receives the maximum financial score. Other proposals receive a pro-rated score in comparison.

Reasonableness Assessment of Quoted Prices:

-Ensures fair and reasonable prices by comparing with market prices, valid LTA prices, historical prices, or a cost breakdown for custom-built offers.

-If prices are not considered fair and reasonable, negotiations or re-solicitation may be pursued.

Opening of Financial Proposals for Technically Non-Compliant Submissions:

-Typically, financially non-compliant proposals of technically non-compliant submissions are not opened.

-In exceptional cases, the opening may be considered to establish pricing benchmarks or mitigate risks. Authorization is obtained from the Director, PD, or CPO, and the process is disclosed to the Contracts Committee with documented rationale.

9.5 FURTHER ASPECTS OF EVALUATION

Only the Procurement Official shall be authorized to seek clarifications from bidders during evaluation. Direct contact between Requisitioners and bidders is prohibited and may give cause to cancel the solicitation process or reject the related bids.

9.5.1 CLARIFICATIONS FROM VENDORS

After the submission of offers, the Procurement Official may seek clarifications from bidders for a proper evaluation process. The decision to request clarification is guided by the need for effective competition, fairness to timely bidders, and ensuring compliance with the solicitation documents.

Objectives of Clarification Requests:

- Clarify ambiguous aspects, correct minor mistakes, and rectify administrative errors in offers.
- Ensure that statements in the offer align with the solicitation documents' spirit.
- Request missing information crucial for evaluation.

Examples of Warranted Clarification Requests:

- Absence or deviation in bid bonds.
- Technical proposals containing financial information without clarity on its inclusion in the financial proposal.
- Missing proof of important elements stated in the proposal.
- Omission of specific information affecting mandatory requirements or technical evaluation points, easily obtainable within a short period.

Examples of Unwarranted Clarification Requests:

- Allowing bidders to supplement significant parts of their offer after the closing time.
- Sending multiple clarification requests for manifestly lacking offers.

Guidelines for Clarifications:

- Limited time (not exceeding five business days) given to bidders to respond.
- Responses received after the set deadline generally not considered unless exceptional circumstances.
- Formal communication preferred for clarity, becoming part of the bidder's offer.
- All communications with vendors documented in writing, forming part of the procurement record.

The clarification process aims to maintain focus on specific aspects and uphold fairness to all bidders.

9.5.2 MATERIAL DEVIATIONS

KnK Japan adheres to the principles of fairness and transparency, ensuring that offers are only rejected for material deviations. Even if a substantially conforming or technically compliant offer contains non-material deviations, these should not lead to disqualification for the sake of achieving Best Value for Money.

Criteria for Material Deviation:

- Substantial Impact: Any deviation that significantly affects the scope, quality, or performance of the specified goods and services.
- Contradiction to Bidding Documents: Deviations that substantially limit KnK Japan's rights or the bidder's obligations under the contract, contradicting the bidding documents.
- Unfair Competitive Impact: Deviations that, if rectified, would unfairly impact the competitive position of other bidders with substantially responsive bids.

Responsibilities:

- The chairperson of the Technical Evaluation Committee and the Procurement Official overseeing the procurement exercise must have a clear understanding of material deviations.
- Consistency in identifying material deviations is crucial throughout the evaluation process.
- The evaluation report must explicitly highlight any deviations encountered at each step of the evaluation process.

By maintaining a clear distinction between material and non-material deviations, KnK Japan ensures a fair and competitive procurement process, ultimately aiming for Best Value for Money.

9.5.3 ERRORS IN PRICE

KnK Japan is not accountable for errors in bid prices; however, if it suspects a pricing error (e.g., unusually high or low prices), it will verify with the bidder. The vendor will be notified that revising the original price is not allowed, and failure to comply will lead to offer rejection.

If the

vendor acknowledges an incorrect price, especially if it significantly impacts vendor selection, the offer may be rejected for fairness. The Procurement Approving Authority may override this decision in KnK Japan's best interest. All communications and decisions are documented for audit trail.

9.5.4 LOW BALLING

An abnormally low offer or submission is one where the price seems unreasonably low relative to the project's scope, methodology, technical solution, and requirements, raising concerns about the bidder's ability to perform successfully. Upon identifying such an offer, the Procurement Official will request written clarifications from the bidder, including a detailed price analysis aligning with the original submission. Based on the information provided, the Procurement Official may accept the offer, request an increase in performance security to mitigate risks, or reject the offer if necessary.

9.5.5 OFFERS RECEIVED IN SITUATIONS OF DIRECT CONTRACTING OR SOLE SOURCING

When engaging in direct contracting under sole sourcing with a justified reason, the Procurement Officials request an offer from the vendor. To streamline the evaluation, the officials ask for comprehensive information aligned with pre-established criteria to assess the

offer's quality and its suitability for KnK Japan's needs. The evaluation, conducted by technical and financial committees, categorizes the offer as compliant or non-compliant. Acceptance is contingent upon compliance. Negotiations are often recommended post-evaluation to enhance Best Value for Money.

9.5.6 COMPLAINTS AND RESOLUTIONS

Responses to bidders' representations and complaints during and after the evaluation must align with the disclosure parameters outlined in the solicitation document. Depending on the nature of the issues, Procurement Officials may seek guidance from OLA or a Legal Advisor before responding. Complaints requiring senior management attention should promptly be forwarded to the procurement head with a copy to the Director, PD. It's crucial to differentiate these complaints from formal procurement challenges submitted after a solicitation process.

9.5.7 INDICATIONS OF POTENTIAL PROSCRIBED PRACTICES

While evaluating submissions, the technical evaluation committee and the Procurement Official should actively look for signs of fraud, collusion, or suspicious actions among bidders, including potential cartel activities. Recognizable "red flags" that may indicate risks, include irregularities in bid/proposal securities, inconsistencies in registration certificates, questionable quality certificates, bank account information under an individual's name, and staff members with involvement in the bidder's corporate structure.

Patterns of potential fraud may involve bid-rigging, where competitors secretly agree on the winning bid, and price-fixing, where competitors agree to set or maintain prices. Detectable signs of bid-rigging include alternating successful bids among the same vendors, significantly higher bids without apparent cost differences, bid withdrawals followed by subcontracting to new winning contractors, and similar patterns in bank guarantees.

Indicators of potential price-fixing involve identical prices among multiple bidders, unexplained price increases, elimination of historical discounts, identical calculations or handwriting in proposals, and bids submitted by companies incapable of fulfilling the contract.

If there are suspicions of proscribed practices, Procurement Officials must promptly report them to the Director, PD or the CPO, copying the VRC. While awaiting a formal investigation, bids should not be rejected unless the alleged proscribed practice is evident. If a formal investigation is initiated, the Procurement Official seeks a decision from the Director, PD or

the CPO on whether to reject such bids, regardless of the investigation's outcome.

9.6 NEGOTIATIONS

When conducting negotiations, follow these procedures:

- a. For complex cases, the negotiation team should prepare a strategy and plan with expected outcomes, keeping it confidential from the bidder and assigning specific roles.
- b. Negotiations are typically in person or by phone, but written offers may be requested by the Procurement Official in certain cases.
- c. Conduct as many negotiations rounds as needed.
- d. Treat all vendors fairly and equitably.
- e. Maintain confidentiality, informing vendors of this requirement at the start of negotiations.
- f. For meetings or teleconferences, involve a minimum of two KnK Japan staff, with the Procurement Official leading.
- g. Record meetings in writing, placing minutes in the case file, and document negotiation results in a note to the file.

In cases of justified direct contracting, negotiations are typically recommended to secure the Best Value for Money. Without a competitive solicitation process, KnK Japan lacks immediate evidence of acceptable price and quality. Therefore, efforts are made to justify the selection and ensure price reasonableness by seeking favorable terms and conditions in negotiations with the vendor.

9.6.1. NEGOTIATION STRATEGIES

In intricate cases, before engaging in negotiations, the Procurement Official may formulate a negotiation strategy document labeled "Commercially in Confidence." This document is restricted to the Procurement Official, Requisitioner, and involved legal officer to maintain the integrity of the process. It may encompass details such as the list of vendors for negotiations, KnK Japan staff participating, negotiation objectives and scope, timelines, negotiation techniques, Best Alternative to a Negotiated Agreement, decision-making criteria for multi-bidder scenarios, and other pertinent information.

9.7 ULTIMATE DELIBERATION AND RECOMMENDATION FOR AWARDS

The technical evaluation results are documented in a report, and its detail aligns with the process complexity. While the use of evaluation tables is recommended, it's not obligatory for informal solicitations like LVA and RFQ. When used, the filled table, signed by the committee chair or relevant official, is submitted to the Procurement Official. The dated technical evaluation report, signed by all committee members, details the application of criteria, including narratives for each criterion, and is kept on file.

After receiving the technical report, the Procurement Official or Financial Evaluation Committee conducts financial evaluation, records findings, and advises the Evaluation Committee's award recommendation. This recommendation, for RFPs, includes a narrative supporting technical points, clarification details, and a final ranking. Unsuccessful bids are retained, and bid security is promptly returned after awarding the contract.

Unsuccessful bidders are notified post-contract award. In "lowest-priced technically acceptable offer" or "lowest-priced substantially conforming offer" cases, clear reasons for disqualifying lower-priced offers must be stated in the technical report and case presentation.

10. REVIEW BY COMMITTEES ON CONTRACTS

10.1 MANDATE OF COMMITTEE ON CONTRACTS

The Review Committees' main role is to ensure that proposed procurement actions align with applicable rules, regulations, and administrative instructions (AI), guided by the Procurement Manual. They don't assess the adequacy or necessity of the requirements but can inquire and comment on these aspects. If their advice is needed, no conclusive steps toward awarding or amending a contract can be taken before receiving their input.

10.2 SUBMISSION TO REVIEW COMMITTEE ON CONTRACTS

For procurement actions requiring Review Committee assessment, the Director, PD, or designated representatives must electronically submit cases by the specified deadline. Late submissions, known as "Walk-In" cases, may be accepted under the Chairperson's discretion in emergency or urgent situations, supported by a written justification. Procurement Officials must present comprehensive, accurate, and clear submissions, ensuring the recommended vendor's registration. Submissions should provide sufficient detail for the Review Committee to understand the procurement actions and the proposed award basis.

During Review Committee meetings, relevant procurement and requisitioning staff must be available to address queries. In urgent cases, the requisitioning office can request expedited issuance of Review Committee recommendations, subject to the Chairperson's discretion. For split awards, the entire procurement process, including awards below the Review Committee threshold, is referred to one committee based on the highest recommended award's Not-to-exceed (NTE) amount. After the committee's recommendation, the Authorized Official approves all awards from the same procurement process, even those below the Review Committee threshold.

10.3 EX POST FACTO PRESENTATIONS TO REVIEW COMMITTEE

A submission to the Review Committee may be ex post facto in two instances: fully "ex post facto" cases and partially "ex post facto" cases. Fully ex post facto cases involve a commitment by KnK Japan for goods/services made entirely before submitting the procurement action to the Review Committee. Partially ex post facto cases involve a commitment made partly before submission. These cases should be exceptional, and if they occur, the case presentation must include a written justification explaining why timely submission was not possible. The justification should identify reasons for the ex post facto

situation and propose measures to prevent recurrence.

11. AWARDS

11.1 FINALIZATION

Contracts are awarded by the Procurement Approving Authority or the Authorized Official, following recommendations from a Review Committee if required. KnK Japan can commit to a vendor only after the official award by the relevant authority and fulfillment of any award conditions. Awards must be made within the offer validity period, and if an extension is needed, it must be requested early, allowing bidders time to respond. The Procurement Official must maintain a record, including the signed award decision or justification for not awarding, and for cases reviewed by a Review Committee, minutes and recommendations must be kept according to the records retention policy.

11.2 PROTOTYPE INSPECTIONS

If the complexity or nature of goods requires, a prototype or first unit inspection may be conducted before signing a contract. The purpose is to verify that the bidder's technical proposal aligns with the actual product. Prototype inspections are not part of the Technical Evaluation but occur after Review Committee review and Authorized Official approval. The Source Selection Plan and solicitation documents must specify if a prototype inspection is necessary. Bidders bear prototype construction costs, while KnK Japan covers inspector costs. The inspections, conducted by the Requisitioner or a hired third party in the presence of a Procurement Official, are thoroughly documented. If minor deviations are found but can be quickly rectified, the bidder may be given the chance to do so before contract signing. If deviations are numerous or critical, KnK Japan may, at its discretion, disqualify the bidder and reconsider the award recommendation. If a bidder fails inspection, KnK Japan can claim damages and refer the case to the VRC for vendor suspension consideration.

11.3 VENDOR NOTIFICATION, DEBRIEFING AND PROTEST

KnK Japan is required to publish information on its website regarding all contracts and purchase orders awarded through formal solicitation methods. The posted notice should include a concise contract description, solicitation number, contract amount or NTE (Not-To-Exceed) amount, contract/award date, and the vendor's name and country. Additionally, unsuccessful bidders must receive written notification, often referred to as a "Letter of Regret," informing them of the outcome of their submission.

11.4 DEBRIEF PROCEDURES

KnK Japan may provide unsuccessful bidders with the opportunity for a debriefing process, aiming for a collaborative learning experience. The purpose is to discuss the bidder's submission and the applied evaluation process to identify strengths, deficiencies, or weaknesses. The debrief does not cover trade secrets, financial details of other bidders, or other bidders' information. Bidders can request a debrief within ten business days of receiving the Letter of Regret. The debrief is a one-time, up to one-hour session, typically conducted in English but can be adapted based on the bidder's needs. Unsatisfied bidders, after the debrief, can file a procurement challenge within ten business days, focusing on the technical and/or financial evaluation. This challenge is not for allegations against the successful vendor or ethical violations, which should be reported separately to the appropriate authorities.

11.5 AWARD REVIEW BOARD

The Award Review Board (ARB) evaluates procurement challenges from unsuccessful bidders. The ARB's Registrar assesses the challenge for eligibility and acceptability, and their determination is final and not open to appeal. If a challenge is upheld, the awarded contract may not be suspended but could be limited in duration for multi-year contracts. The solicitation documents must inform all bidders about the option to submit a procurement challenge.

12. CONTRACT FINALIZATION AND ISSUANCE

12.1 CONTRACT PREPARATION

Following a solicitation process where KnK Japan outlines its requirements, a vendor may be chosen based on an offer, and the selected vendor is obligated to enter into a contract with KnK Japan. KnK Japan employs Standard Form of Contracts, utilizing approved model templates from OLA, which should be included in the solicitation and used for contract formation. Any alterations to these contracts, including annexes, must be made in consultation with OLA or a Legal Advisor for legal terms and the Procurement Official for financial terms. It is crucial to avoid incorporating requirements or conditions that conflict with the standard text of these documents. After the vendor is chosen, KnK Head Office will finally review the contracts.

12.1.1 LETTER OF INTENT

A Letter of Intent (LOI) is a written declaration expressing the intention to formalize a contractual agreement and may be used exceptionally to permit vendors to commence contract implementation before the final contract is signed. Utilizing an LOI involves significant risk and should be employed cautiously by experienced Procurement Officials, in collaboration with Requisitioners possessing substantial technical expertise. The responsibility for risk assessment lies with the Procurement Approving Authority, who is accountable for this assessment. Guidance on risk assessment may be sought from OLA, or a Legal Advisor. If an LOI is considered, it must be cleared by OLA to limit KnK Japan's responsibility, allowing withdrawal from the LOI with minimal legal and financial consequences. Issuing an LOI is permissible only after award approval, and when all financial terms are agreed upon with the vendor, and all contract costs are known to KnK Japan. Therefore, an LOI is employed to initiate work while providing additional time to finalize contract details, such as a detailed timeline, personnel details, and negotiation of non-financial contract clauses.

12.1.2 POST FINALIZATION DISCUSSION WITH VENDORS

The purpose of contract discussions is to address any unresolved matters not specified in the solicitation documents or the vendor's offer, yet crucial for the contract's proper implementation. These discussions aim to establish a mutual understanding of agreed-upon terms, conditions, and respective responsibilities. Key areas, including detailed delivery plans, milestones, and specific terms and conditions, may be part of these discussions. It's important

to note that contract discussions differ from negotiations, as negotiations should occur before the award. After the contract award, significant discussions about contract terms and conditions are discouraged to prevent potential disadvantages to other bidders and exposure to bid protests.

12.1.3 ADVANCE AND PROGRESS PAYMENTS

The Procurement Official must document the rationale for advance or progress payments in the procurement case file. KnK Japan may agree to partial payments for goods or defined milestones for services or works under specific conditions, ensuring adequate security for such payments. The Procurement Official, with approval from the Director, PD, or the CPO, can establish customized payment terms that align with payment flows for the specific procurement. Lease payments made in the same month they correspond to are not considered advance payments, but those made before the relevant month are treated as advance payments.

12.1.4 PERFORMANCE SECURITIES

Performance securities act as safeguards against the risk of vendor non-performance and contractual breaches. KnK Japan may request these securities from selected vendors, typically in the form of an unconditional and irrevocable on-demand bank guarantee. Other acceptable forms, such as bonds or demand drafts, must be approved by OLA and specified in the tender documents.

If performance security is required, the vendor must provide it within a specified timeframe after contract signing, usually as a percentage of the total contract value (typically 5-10%). In case of the vendor's failure to perform, the security amount becomes payable to KnK Japan. Once the Requisitioner or Final User certifies the vendor's fulfillment of contract obligations, including warranties, KnK Japan returns the performance security to the vendor.

Bank guarantees should follow the OLA-approved form, including details like parties involved, reference to the contract, guarantee amount, validity period, documentation requirements for payment demands, and an effective clause. Conditions for exercise, such as being irrevocable and unconditional, are crucial. The guarantee should allow partial and multiple fulfillments up to the maximum guaranteed amount and must be signed by authorized signatories.

12.1.5 SIGNATURE, ISSUANCE AND DOCUMENTATION

Contracts must be signed by a Procurement Approving Authority on behalf of KnK Japan and by an authorized individual representing the vendor. The contract becomes effective upon written signatures from both parties. KnK Japan should issue the contract to the vendor, instructing them to return a signed scanned copy. The relevant official, with the appropriate procurement authority delegation, countersigns the copies, and one copy is sent to the vendor. The signed contract is stored for future reference.

Every page of contract documents, including attachments, needs initials from authorized representatives of both parties, except for the page with the full signature block, which requires signatures. It's crucial to verify that contract signatories are legal persons with the capacity to represent and bind their respective parties.

Contracts may only be amended if provisions allow modifications and if additional goods or services from the same vendor relate to the original contract. Each amendment must be in writing, comply with contractual terms, and follow KnK Japan's procurement procedures. Any other situations require a new solicitation process and the establishment of a new contract.

12.2 STANDARD CONTRACT ELEMENTS

A contract between KnK Japan and a vendor must, at a minimum, comprise:

- a. An agreement document;
- b. Technical specifications, Terms of Reference (TOR), Statement of Work (SOW), pricing details (fees and rates, where applicable), payment terms, a template for performance securities, delivery requirements, and any necessary special conditions.

12.2.1 INSTRUMENT OF AGREEMENT

The instrument of agreement in a contract must include:

- a. Identification of the contracted parties, including authorized representatives' names, addresses, and contact details. If the contract results from a joint offer, KnK Japan typically contracts with one entity, usually the lead entity.
- b. Clear definition of the scope, quantity, entry into force, and time limits of the contract.
- c. Reference to the contract documents.

d. Price and payment terms, denominated in the currency specified in the bidder's offer. Tangible indicators for payments, linked to delivery milestones or completion of works, should be established.

e. For 'lump sum' contracts, where the quantity and scope are well-defined, and 'unit price' contracts for situations where precision is challenging. The latter sets a maximum amount and establishes unit prices for specific components, with a clear understanding that the maximum amount cannot be exceeded.

f. Contracts lasting over 12 months may have price adjustments based on officially published indices. For commodities with fluctuating prices, contracts may be tied to commodities/mercantile exchange prices, with clear specifications in the solicitation document.

g. Duration and milestones of the contract, including the names of key personnel and their estimated input.

Dispute resolution through negotiation is the initial step, and if unsuccessful, disputes are to be resolved according to applicable arbitration rules. No choice-of-law clause is included, and the arbitral tribunal is guided by general principles of international commercial law.

12.2.2 TECHNICAL SPECIFICATIONS, TOR, SOW

Technical specifications, Terms of Reference (TORs), Statements of Work (SOWs), and other specifications must be included as annexes to the contract or incorporated into the contractual document. It is crucial to ensure that the content of these annexes aligns with both the general and specific conditions outlined in the contract.

12.3 LONG-TERM AGREEMENT

A Long-Term Agreement (LTA) is a formal contract between a KnK Japan organization and a vendor, established for a defined period, specifying prices or pricing provisions for specific goods or services. LTAs aim to ensure a consistent and competitive supply of goods and services, meeting common needs efficiently. They do not impose a legal obligation to order a set quantity. LTAs cover a range of items like generators and uniforms, and when deviating from them, entities should consider factors such as total cost, including acquisition process expenses, to achieve the best value for the organization.

12.3.1 BENEFITS AND RISKS OF ESTABLISHING LTAs

Long-Term Agreements (LTAs) offer several advantages, including:

Competitive Prices: The bulk procurement volume under an LTA can lead to lower prices, benefiting from economies of scale.

Reduced Transaction Costs: LTAs streamline the procurement process, allowing for call-off orders throughout the agreement's duration, minimizing the time and resources required for repetitive actions.

Consistent Quality and Reliability: By setting quality standards in the LTA, the need for inspection and the risk of rejected goods are reduced, ensuring a reliable source.

Standardized Requirements: LTAs promote consistency in requirements across offices, contributing to operational and maintenance cost reductions.

Shortened Delivery Lead-Time: Pre-agreed terms in LTAs significantly reduce the time between order placement and delivery, crucial during emergencies. This is especially beneficial for goods ready for stocking or services prepared for immediate deployment.

12.4 TYPES OF LTAs

Some main types of Long-Term Agreements (LTAs) include:

Single-Vendor LTA: In this arrangement, a single vendor supplies all the required goods or services for a specific category.

Multiple-Vendor LTAs Without Secondary Bidding: Two or more vendors supply the same requirements. This approach may be used to secure supplies from various sources, considering factors like demand fluctuations, vendor locations, after-sales support, and service provision.

Multiple-Vendor LTAs with Secondary Bidding: Two or more vendors supply similar or identical requirements, and the final allocation is determined through secondary bidding. Secondary bidding applies to components with variable prices or those subject to ceiling prices, considering aspects like vendor capacity, delivery time, and mobilization time.

These LTAs can be further classified based on geographical coverage:

Country-Specific LTA: Tailored for use by a specific entity to procure goods or services

needed in a particular country. Managed by the respective entity within that country, it should not be used in another country due to varying market conditions.

Regional LTA: Designed for use by multiple entities in a specific region of KnK Japan's operation, facilitating procurement of goods or services required in that region. Such LTAs may be managed by PD, a Regional Centre, or an entity within the region.

12.5 CREATION OF NEW LTA

The decision to establish a Long-Term Agreement (LTA) should be carefully considered during the category management strategy development and incorporated into the procurement planning stage. Before initiating the procurement process, Procurement Division (PD) should be informed in advance, particularly for LTAs extending beyond local scope. PD may offer guidance on LTA establishment. Creating an LTA involves a significant upfront and long-term commitment of resources and expertise, necessitating a brief business case. This case should encompass:

- a. Description of goods/services needed
- b. Type of LTA and its geographical coverage
- c. Past and planned spend in the category
- d. Expected duration of the LTA(s)
- e. Price adjustment method, if applicable
- f. Anticipated benefits and risks
- g. Results of market research, including potential vendors and locations
- h. Procurement strategy, solicitation method, and type of competition
- i. Procurement process timelines

This comprehensive evaluation ensures a well-informed decision regarding the establishment of LTAs.

12.6 DURATION OF LTAs

To maintain fairness and competitive conditions, Long-Term Agreements (LTAs) are

typically valid for three (3) years. An extension of up to 24 months may be considered, contingent upon contract provisions, satisfactory vendor performance (evaluated through a vendor performance assessment), ongoing need for covered goods/services, and price competitiveness within the current market range. Extensions beyond the five-year maximum (3+2) should be justified in the business case or Source Selection Plan (SSP) and require advance approval from the Director, PD, or the Chief Procurement Officer (CPO).

12.7 CALL-OFF ORDERS AGAINST LTA

A call-off order is a purchase order issued against an existing Long-Term Agreement (LTA). Unlike regular orders, call-off orders do not undergo a Review Committee's review but necessitate approval from the relevant Procurement Approving Authority, aligned with their delegation level. Notably, cumulative/aggregate amount principles do not apply to call-off orders.

When approving a call-off order, the Procurement Approving Authority must ensure adherence to LTA applicability instructions, considering factors such as:

- a. If derived from secondary bidding, confirming that the LTA ceiling prices are not exceeded;
- b. In cases of multiple-vendor LTAs without secondary bidding, ensuring value for money;
- c. Verifying compliance with specific LTA conditions, such as maximum order values;
- d. For LTAs based on exceptions to formal solicitation, confirming valid reasons like standardization or accelerated delivery.

Call-off orders should include pertinent LTA details, such as reference numbers, for easy future reference.

12.8 BLANKET PURCHASE ORDER

A Blanket Purchase Order (BPO) is a simplified form of a Long-Term Agreement (LTA) that allows certain departments and offices to request limited quantities of specific products and services on an annual basis. BPOs are not suitable for large volumes or high-value items, and efforts should be made to use local systems contracts or service contracts with pre-agreed price structures and terms.

Key points about BPOs:

Annual Basis: BPOs are established annually for specific items based on departmental Requisitions.

Vendor Limitations: To prevent exceeding the BPO threshold, a vendor should not be awarded more than one BPO at a time.

Multiple Vendors: BPOs can involve multiple vendors, but KnK Japan has less cost control compared to LTAs.

Suitability: BPOs are suitable for items that are challenging to specifically identify and quantify.

Terms and Conditions: BPOs include a specified term, a maximum Not-To-Exceed (NTE) amount, ordering procedures/authorization, delivery terms, payment terms, provisions for possible price escalations, and other relevant conditions.

Market Survey: A market survey is conducted using a sample "shopping list" provided by the Requisitioner to select a vendor.

Evaluation and Renewal: BPOs are evaluated at the end of the year, and renewal for up to three consecutive years is possible without a new solicitation if approved by the Section Chief/Director, PD, or the CPO, upon request from concerned departments or offices.

12.9 CALL-OFF ORDERS AGAINST A BPO

After a Blanket Purchase Order (BPO) is issued by the Procurement Official through a regular Shopping Cart initiated by the Requisitioner, the concerned departments or offices can proceed to order from the selected vendor using LVA (Low-Value Acquisition) Purchase Orders. Each order must include the BPO number, Product ID for each item, and adhere to the terms and conditions specified in the BPO contract.

Key points regarding the process:

Ordering Process: Departments issue LVA Purchase Orders according to the BPO terms, referencing the BPO number and Product IDs.

Quality and Pricing Check: The Contracting Officer (CO) ensures that the ordered goods/services meet KnK Japan's requirements at fair and reasonable prices.

Authorization and Control: Authorization of LVA Purchase Orders is recommended to be limited to the CO responsible for the respective cost center to maintain proper administrative and financial controls.

Record Keeping: Requisitioners are responsible for keeping records of expenditures against the BPO, including the unspent balance.

Call-Off Orders: A Procurement Official may use a call-off order against a BPO when its overall value exceeds a specified amount (PKR -----).

Invoicing: Invoices against a BPO should reference both the BPO contract number and the Work Order/Task Order number.

Administrative Procedures: Ordering and administrative procedures, including receiving, inspection, property control, inventory, and invoice processing, follow standard practices for other forms of contracts and purchase orders.

Financial Limit: The total sum drawn upon a BPO is limited to a maximum of PKR ----- per year, not exceeding the face value of the BPO. The BPO specifies its validity term, and to replace an expired BPO, a new one must be issued.

13. LOGISTICS

13.1 GENERAL PRINCIPLES AND BEST PRACTICES

Best practices in logistics involve efficient and effective management of the supply chain to ensure timely and cost-effective delivery of goods and services. Best practices in logistics can vary, but the following principles are generally recognized:

Supply Chain Visibility:

-Maintain visibility and traceability throughout the supply chain to monitor the movement of goods and ensure transparency.

Risk Management:

-Identify and assess risks in the supply chain, including geopolitical, environmental, and operational risks.

-Develop contingency plans to mitigate potential disruptions.

Collaboration and Partnerships:

-Collaborate with reliable and vetted suppliers, logistics providers, and local partners to enhance efficiency and effectiveness.

-Establish strong partnerships with local organizations to leverage local knowledge and networks.

Compliance with Regulations:

-Stay informed about international trade regulations, customs procedures, and import/export requirements in the regions of operation.

-Ensure compliance with local laws and regulations related to logistics and transportation.

Technology Adoption:

-Implement technology solutions for inventory management, order tracking, and data analytics to:

- optimize logistics operations.
- Use digital platforms for real-time communication and collaboration with partners and suppliers.

Sustainability Practices:

- Integrate sustainable practices into logistics operations to minimize environmental impact.
- Consider eco-friendly packaging, transportation options, and energy-efficient facilities.

Capacity Building:

- Invest in training and capacity building for staff involved in logistics to enhance their skills and knowledge.
- Provide ongoing professional development to keep up with industry best practices.

Performance Measurement:

- Establish key performance indicators (KPIs) to measure the efficiency and effectiveness of logistics operations.
- Regularly review and assess performance against set benchmarks.

Emergency Preparedness:

- Develop and regularly update
- response plans for quick and effective action during crises or disasters.
- Establish pre-positioned stockpiles strategically located for rapid deployment.

Ethical Procurement:

- Adopt ethical procurement practices, ensuring fair treatment of suppliers and adherence to ethical sourcing guidelines.
- Promote fair labor practices and compliance with social responsibility standards.

Continuous Improvement:

-Foster a culture of continuous improvement, encouraging feedback, learning from experiences, and implementing process enhancements.

Adaptability and Flexibility:

-Be adaptable to changing circumstances, including fluctuations in demand, regulatory changes, and unforeseen events.

-Build flexibility into supply chain processes to respond to dynamic operational environments.

By adhering to these best practices, KnK Japan can enhance the efficiency, transparency, and reliability of their logistics operations, ultimately contributing to the success of its humanitarian and development initiatives.

13.2 INTERNATIONAL COMMERCIAL TERMS (INCOTERMS)

International Commercial Terms (Incoterms) are standardized trade terms established by the International Chamber of Commerce. They are commonly included in contracts for the sale of goods to define the responsibilities, risks, and costs of both the seller and the buyer in the process of shipping and delivering goods. The Requisitioner and Procurement Official collaborate to choose the appropriate Incoterm based on factors like the nature of the goods, mode of transport, acceptable risk levels for KnK Japan, and whether additional obligations are imposed on the seller or the buyer. The primary aim is to bring clarity and consistency to international trade agreements.

14. CONTRACT MANAGEMENT

Contract management involves overseeing all post-award activities, such as vendor performance monitoring, payment processing, contract closure, record-keeping, and maintaining the contract file. The primary goal is to ensure timely delivery of high-quality goods and services in the correct quantity, adhering to agreed-upon contract terms.

Responsibility for contract management lies with those directly involved in overseeing and implementing the contract, including staff managing the contract, the requisitioner, or the end-user—collectively known as "responsible contract management staff" (RCMS). RCMS are responsible for monitoring contractor performance, accepting specified deliverables, and notifying the procurement official if any issues arise.

Acceptance procedures differ for goods and services:

- a. Goods: Upon receiving procured goods, RCMS record the goods receipt, complete a Receipt and Inspection report (R&I) to confirm alignment with the packing list, detailing the condition and compliance with specifications.
- b. Services: For services, RCMS record satisfactory completion in line with the contract terms.

Delivery recognition varies for goods, services, or works, depending on contract terms. RCMS must consider these terms to determine when delivery is considered complete. Prompt communication of issues with not-accepted deliverables to the procurement official is vital for proper documentation and addressing necessary contract administration matters.

14.1 CONTRACT ADMINISTRATION

The Contract Management function relies on the administrative support provided by the Procurement Official overseeing the procurement process. Contract Administration involves the post-award activities conducted by Procurement Officials, dealing with administrative aspects like contract amendments, extensions, closure, record-keeping, file maintenance, managing security instruments (e.g., Performance Security), and collaborating with the Office of Legal Affairs (OLA) on contractual disputes or claims. If Responsible Contract Management Staff (RCMS) encounter issues with interpreting contract provisions, they refer these matters to the issuing Procurement Official. In case of disputes with vendors that RCMS cannot resolve, they promptly inform the Procurement Official. This ensures effective

management of administrative aspects and timely resolution of any disputes.

14.2 VENDOR PERFORMANCE APPRAISAL

The Responsible Contract Management Staff (RCMS) are responsible for evaluating vendor performance throughout the contract period, with support from the Procurement Official when needed. This evaluation is crucial for documenting performance, forming institutional memory, and ensuring compliance with contractual obligations.

RCMS use ongoing monitoring methods, such as reports, meetings, and inspections, to assess various aspects of performance. These include timely delivery, quality of goods or services, adherence to contractual terms, response to requests, avoidance of undue delays, handling of claims, and disclosure of relevant information.

If significant deficiencies or performance issues arise, the RCMS, in consultation with the Procurement Official, may refer the case for potential sanctions to the Vendor Review Committee (VRC). The RCMS must:

- Develop performance measurement criteria included in solicitation documents and the contract.
- Monitor and evaluate the vendor's performance against agreed criteria or milestones.
- Notify the vendor promptly if performance falls below standards, requesting remedial action.
- Apply for performance credits as specified in the contract.
- Complete the Vendor Performance Rating (VPR) form/report, informing the Procurement Official and submitting a copy to relevant sections.

The Procurement Official administers the VPR form/report by ensuring its inclusion in the procurement case file, assessing vendor performance, recommending appropriate actions, and notifying the Vendor Management staff or the VRC of non-compliance or poor performance issues.

Before extending an existing contract, the RCMS and Procurement Official should ensure a satisfactory VPR result. If performance shortcomings are identified, plans should be made to address them or retender the requirement. The entire process aims to maintain high standards of vendor performance, address issues promptly, and ensure the effectiveness of the

procurement process.

14.3 DISPUTE RESOLUTION

Contracts aim to be clear with well-defined responsibilities and obligations for involved parties. Despite careful drafting and performance management, disputes can still arise. In handling contractual disputes:

Amicable Settlement:

- Disputes may be resolved amicably through direct discussions between the parties involved.
- The Organization encourages amicable settlements, but consultation with the Office of Legal Affairs (OLA) is necessary, especially if it involves costs beyond the contract scope.

Seeking Legal Advice:

- If disputes persist and cannot be resolved by Responsible Contract Management Staff (RCMS) or the Procurement Official, legal advice is sought.
- The Procurement Official sends a memorandum to OLA or the applicable Legal Advisor, providing detailed information on the dispute, contractual details, events chronology, and relevant correspondence.

Conduct of Amicable Settlement:

- Procurement Officials, authorized to engage in discussions with the vendor, ensure that any preliminary agreement aligns with legal opinions.
- Discussions involve at least two officials, one of whom is experienced and senior.
- Minutes are documented for internal purposes, and the Requisitioner may participate in discussions on operational issues.
- If an agreement is reached, terms are sent to the Director, PD, or CPO for review and relevant approvals.

Arbitration:

- If an amicable settlement is unattainable, the contractor may opt for arbitration following applicable rules.

-A received Notice of Arbitration is promptly communicated to the Office of Legal Affairs.

File Management:

-RCMS and Procurement Officials ensure detailed documentation in the case file, describing dispute resolution activities and the resolution method.

-Any settlement and release agreements are included in the file.

-This comprehensive approach aims to address disputes effectively, whether through amicable settlement, legal advice, or arbitration, while maintaining thorough documentation for transparency and compliance.

14.4 PAYMENTS

Payment involves the timely settlement of invoices in accordance with the contract terms. The Finance Officer ensures that payment terms align with the contract specifications. By default, KnK Japan is obligated to pay within specified days (explicitly alluded to in the Contract) upon the vendor's satisfactory completion of delivery obligations, following delivery terms. However, when necessary, KnK Japan may agree to advance or progress payments under specific conditions, subject to approval and tailored payment terms by the Director, PD, or the CPO.

It's crucial to understand and adhere to the payment terms outlined in each contract. Contracts should specify required documentation before payments can be made. To maintain a clear segregation of duties, the individual responsible for payment execution should be distinct from those involved in the procurement process. This separation is a fundamental aspect of the segregation of duties principle and is essential for all payments.

The general and normal practice is that KnK Japan does not make any third-party payments (i.e., payment to parties other than the entity that holds the contract).

14.5 TAXES

In accordance with the contract, the contractor must authorize KnK Japan to deduct from their invoices any amounts related to taxes, duties, or charges. Unless the contractor consults with KnK Japan before making such payments and KnK Japan expressly authorizes them in writing, the contractor is obligated to allow deductions. If the contractor pays these taxes, duties, or charges under written protest with KnK Japan's specific authorization, they must

provide written evidence of payment. KnK Japan will then reimburse the contractor for these authorized payments made under written protest.

14.6 AMENDMENTS, EXTENSIONS AND RENEWAL

Contract modification involves handling changes that arise after the contract has been executed, such as unexpected variations in prices or requirements. Procurement Officials, as part of their contract administration duties and in consultation with the Requisitioner, are responsible for:

- Negotiating appropriate changes to the contract, considering aspects like price, schedule, quality, and performance. Amendments are made to clearly define the expectations of both parties.
- Ensuring that the conditions for changes are reasonable and justifiable in terms of price, time, and quality.
- Requesting, reviewing, approving, and signing any amendments before the original contract's expiry date, as retroactive extensions are not possible. Amendments require approval from the Procurement Approving Authority and must be documented in the contract file.

In certain cases, contract amendments may necessitate prior review by a Review Committee.

14.7 SUBCONTRACTORS

Approval and clearance for subcontractors do not release the contractor from their obligations under the contract with KnK Japan. Subcontractors can be approved if their use aligns with standard business practices or is justified by the nature of the goods, services, or works. KnK Japan staff responsible for contract administration and management, including Procurement, Requisitioner, and RCMS, should not directly engage with subcontractors. The contractors hired by KnK Japan bear sole responsibility for the services and obligations fulfilled by their subcontractors.

14.8 CONTRACT COMPLETION

Contract completion involves confirming the fulfillment of all obligations, identifying any remaining tasks, settling final payments, evaluating the contractor, and administratively closing files. Procurement Officials must ensure the following activities are completed:

- All required products and/or services have been provided to the Requisitioner.
- The contract file contains proper documentation of the receipt and formal acceptance of all contract items.
- No pending claims or investigations exist related to the contract.
- Concluding all actions related to contract price revisions and changes.
- Resolving all outstanding subcontracting issues.
- If there was partial or complete termination, ensuring the action is completed.
- Submission of the final invoice and payment of all invoices.
- Returning any security (e.g., Performance Security) in accordance with the contract terms and the security instrument. Additionally, any equipment or unused material supplied by KnK Japan should be promptly returned.

14.9 HANDLING AND MAINTENANCE OF FILES

For effective contract management and administration, responsible officials (RCMS and Procurement Officials) must treat all documents containing commercial information with confidentiality. Each contract requires the establishment and maintenance of a dedicated file that includes documentation of the procurement process and all necessary information for successful contract administration.

To adhere to transparency and accountability principles, every step in the contract management process should be documented and filed, either physically or electronically. A standardized filing and numbering system must be implemented to create an audit trail, ensuring clarity and facilitating internal and external audits.

Procurement Officials must open a procurement file for each case, either physically or electronically, and retain these files in accordance with the applicable retention policy. The proper administration and maintenance of these files are crucial to provide clarity over actions taken during the contract. Events occurring during the contract's life should be documented to inform future decisions or revisions.

A well-maintained audit records trail is essential to prevent confusion in file management due

to the dynamic nature of the procurement function and the mobility of Procurement Staff. Discipline in filing and indexing, whether in physical or electronic systems, is emphasized.

The contract file should minimally contain documents related to various phases of the procurement process, including pre-solicitation, solicitation, submissions, evaluation, award, post-award, and contract administration. Additionally, contract management files should be retained after closure and include relevant information/documentation such as the signed contract/purchase order, minutes of Review Committee meetings, correspondence with the contractor, amendments to contracts, documented decisions on claims or disputes, progress reports, insurance claims, proof of payment, and completed vendor performance evaluations.

Maintaining comprehensive and organized contract files is vital for clarity, compliance, and efficient contract management and administration.

15. SUSTAINABILITY AND RISK MANAGEMENT

15.1 SUSTAINABILITY CONSIDERATIONS

Incorporating the economic aspect of sustainability involves striving for the best value for money, considering the entire life costs of a product or service, and supporting broader economic development. Addressing the environmental dimension focuses on minimizing negative environmental impacts throughout the life cycle, including factors like pollution, waste generation, greenhouse gas emissions, and preservation of natural ecosystems. The social dimension emphasizes promoting human rights, eliminating child labor, ensuring fair labor conditions, fostering gender equality, and addressing ethical issues in the supply chain. Integrating sustainability considerations into requirements definition adds value by promoting resource efficiency, encouraging innovation, and contributing to the achievement of Sustainable Development Goals (SDGs). It's essential to maintain transparency, measurability, and proportionality in requirements, avoiding restrictions on international competition. Category Strategies can guide the incorporation of sustainability considerations into sourcing solutions for various goods and services.

15.1.1 SUSTAINABILITY STANDARDS FOR CONTRACTORS

Sustainability Standards: The contractor must adhere to national and international environmental and social standards, encompassing Pakistan's Environmental Protection Act (PEPA) 1997, National Environmental Quality Standards (NEQS), and guidelines established by entities such as the World Bank and other international bodies. It necessitates the acquisition of requisite regulatory approvals, such as Environmental Impact Assessments (EIA), and underscores the importance of safeguarding biodiversity, cultural heritage, public health, and safety, in accordance with specific Pakistani legislation and international best practices. Additionally, the clause places significant emphasis on engaging stakeholders, promoting social inclusion, implementing pollution control measures, conserving resources, and adhering to fair labor practices and safe working conditions. This reflects a comprehensive strategy towards environmental protection and social responsibility in the execution of the project.

15.1.2 GENDER POLICY APPLICABLE TO CONTRACTORS:

The contractor shall adhere to KnK Japan's Gender Policy, comply with national and international laws supporting gender equality, integrate gender mainstreaming principles into

all activities, establish confidential reporting channels for gender-related violations, enforce disciplinary action for violations, encourage reporting of suspicious activities, and participate in periodic reviews to ensure policy effectiveness.

15.1.3 CHILD LABOUR POLICY APPLICABLE TO CONTRACTORS:

Children under the age of 18 are not allowed to work on site. The supplier / Contractor represents and warrants that neither it, nor any of its suppliers, is engaged in any practice inconsistent with the rights outlined in the Convention on the Rights of the Child, including Article 32 thereof, which, inter alia, requires that a child shall be protected from performing any work that is likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health and physical, mental, spiritual, moral or social development. Any breach of this representation and warranty shall entitle KnK Japan to terminate the contract immediately upon the supplier, at no cost to KnK Japan.

15.2 RISK MANAGEMENT

PLANNING AND STRATEGY:

In project planning and strategy, the potential risk of delayed procurement for crucial project requirements can have significant consequences. Delays may result in setbacks to project outputs and outcomes, affecting various stakeholders. Additionally, there is a risk of facing higher prices due to delayed procurement. To mitigate these risks, it is crucial to implement early planning for procurement processes. This includes adopting appropriate strategies, such as the use of Long-Term Agreements (LTAs) when deemed suitable for the project's needs. This proactive approach aims to ensure timely and cost-effective procurement, minimizing the adverse effects on project timelines and costs.

REQUIREMENTS DEFINITION:

In the definition of requirements, the risk of having restrictive specifications can lead to limited vendor responses and potential claims of unfairness and lack of transparency in the procurement process. To address this, it is essential to enhance product and market understanding through thorough market research. This involves incorporating generic functional and performance specifications, providing vendors with a clearer understanding of the desired outcomes. By avoiding overly restrictive requirements and promoting transparency, organizations can encourage a broader and more competitive vendor response, fostering a fair and effective procurement process.

SOLICITATION:

To mitigate the risk of low interest in the procurement process during solicitation, organizations can take proactive measures:

Widespread Tender Publication: Ensure the tender is widely published through various channels to reach a broad audience of potential bidders. This can include online platforms, industry publications, and official government procurement portals.

Ample Tender Period: Provide a reasonable and sufficient tender period to allow potential bidders to prepare and submit their proposals without feeling rushed. Adequate time encourages a more diverse and competitive response.

Pre-Bid Meeting: Conduct a pre-bid meeting to clarify any ambiguities in the tender documents, address questions from potential bidders, and provide additional information. This helps enhance understanding and interest among prospective vendors.

By adopting these measures, organizations can stimulate greater interest in the procurement process, reduce the likelihood of delays, and promote a more competitive environment that may result in better pricing.

EVALUATION:

To minimize the risk of selecting vendors with unethical past conduct during the evaluation process and avoid potential damage to KnK Japan's reputation, the following steps can be taken:

Ineligibility Checks: Before proceeding with the evaluation, check all potential vendors against established ineligibility lists or databases. These lists may include vendors with a history of unethical conduct, legal issues, or violations.

Background Checks: Conduct thorough background checks on recommended vendors before making any awards. This can involve investigating their corporate history, financial stability, and past performance. Special attention should be given to any instances of unethical behavior, legal disputes, or other red flags.

References and Past Performance: Contact references provided by the vendors and assess their past performance, particularly in terms of ethical business practices. This step involves

gathering insights from other entities that have previously engaged with the vendor.

By implementing these measures, KnK Japan can make more informed decisions during the vendor evaluation process, ensuring that selected vendors have a clean ethical record and reducing the risk of reputational damage.

CONTRACT MANAGEMENT:

To address potential issues during the contract management phase, such as the failure of the vendor to perform, contract disputes, and inadequate quality of goods, services, or works, the following steps can be taken:

Clear Evaluation Criteria: Include comprehensive and clear evaluation criteria in the solicitation document. This should cover not only technical and financial aspects but also the vendor's past performance, compliance with contractual terms, and commitment to quality.

Active Contract Management: Implement active contract management actions to closely monitor and oversee the vendor's performance throughout the contract period. This may involve regular communication, progress meetings, and site visits to ensure adherence to contractual obligations.

Regular Inspections: Conduct regular inspections and quality assessments of the goods, services, or works provided by the vendor. This helps in identifying and addressing any issues promptly, ensuring that the delivered products meet the specified quality standards.

Progress Reports: Require the vendor to submit regular progress reports, detailing the status of the project or services. These reports should include information on milestones achieved, potential risks, and any challenges faced by the vendor.

By incorporating these practices into the contract management process, KnK Japan can proactively manage risks, maintain the quality of deliverables, and mitigate the chances of disputes or failures in vendor performance.

15.3 EMERGENCY SITUATIONS

Emergency procurements for international NGOs involve the rapid acquisition of goods, services, or works to respond promptly to unforeseen crises or urgent situations. Best practices for emergency procurements include:

Preparedness Planning:

- Develop a comprehensive emergency procurement plan that outlines procedures, roles, and responsibilities in advance.
- Establish pre-approved supplier lists for critical items or services that may be needed during emergencies.

Risk Assessment:

- Identify potential risks and challenges associated with emergency procurements.
- Evaluate supply chain vulnerabilities and establish contingency plans for high-demand or critical items.

Pre-Qualified Suppliers:

- Maintain a list of pre-qualified suppliers with a proven track record in emergency response.
- Establish framework agreements with suppliers in advance to expedite the procurement process during emergencies.

Flexibility in Procedures:

- Implement streamlined procurement procedures tailored for emergencies, allowing for flexibility and speed.
- Consider utilizing framework agreements, direct contracting, or simplified bidding processes when appropriate.

Local Procurement:

- Promote local procurement to enhance response efficiency and support the local economy.
- Establish relationships with local suppliers in high-risk areas to facilitate rapid response.

Technology Adoption:

- Leverage technology for electronic procurement processes, electronic signatures, and online collaboration to expedite approvals.
- Implement e-procurement tools to enhance transparency and traceability.

Collaboration and Coordination:

- Collaborate with other NGOs, and local authorities to share information and resources.
- Participate in coordination mechanisms to avoid duplication of efforts and optimize resources.

Continuous Monitoring:

- Establish a monitoring system to track procurement progress during emergencies.
- Regularly assess the performance of suppliers and adjust strategies as needed.

Documentation and Transparency:

- Maintain thorough documentation of emergency procurements, including decision-making processes and justifications.
- Ensure transparency in all procurement activities, adhering to the organization's policies and international standards.

Capacity Building:

- Build the capacity of staff involved in emergency procurement through training programs and simulations.
- Foster a culture of preparedness and responsiveness within the procurement team.

By incorporating these best practices, KnK Japan can enhance their ability to respond effectively and efficiently to emergencies while maintaining transparency, accountability, and compliance with relevant regulations.

16. DOCUMENTATION

16.1 DOCUMENTATIONS (RECORDS)

Personnel turnover and the frailties of the human memory make it essential to ensure good and proper documentation. The documentation must permit a rapid reconstruction of all significant considerations and agreements. It is critical that we, as an organization, perform due diligence and demonstrate good stewardship over all donors' funds.

Documentation begins in the Procurement department with the receipt of a purchase request from the departments) and continues till the end of the procurement and payment is made to the vendor for his services. Documentation of the actual procurement must be adequate to allow someone other than the buyer to understand the purpose and process of each procurement. It is critical that copy of all following documents should and must be kept with the procurement department for record and audit purposes:

- Purchase Requisition Form
- Invitation to Bid
- Request for Quotation
- Request for Proposal
- Bids Received from the Vendors
- Bids Comparison Analysis Sheet
- Copy of the Vendor Contract
- Purchase Order
- Waybill/Delivery Challan from Vendor/ supplier
- Challan Form from Transporter
- Quality Inspection Report of goods and items
- Goods Receiving Note
- Sales Invoice/ Final Bill from supplier

- Certificates i.e., NTN, registration, or Tax Exemption (if applicable)

- Payment Request Form

- Copy of the Payment Voucher (for advance or full payment)

- Copy of the Paid Cheque

- Copy of the Acknowledgement Receipt (from vendor)

- Any other documents related to the procurement for legal and audit purposes.

Purchasing documentation and records should be maintained either in electronic" or "paper" format for a minimum of two years in the office and five years in temporary storage.

17 POLICY WAIVER CLAUSE

Under exceptional circumstances, deviations from the standard procurement procedures outlined in this manual may be necessary. To address such situations, the following waiver clause shall apply:

17.1 AUTHORITY TO GRANT WAIVERS:

- Waivers can only be granted by the Director of Procurement or an authorized delegate, subject to the approval of the Chief Procurement Officer (CPO).

17.2 CONDITIONS FOR WAIVER:

- A waiver may be considered under the following conditions:
 - a. **Emergency Situations:** Where immediate action is required to prevent significant harm or loss, including but not limited to natural disasters, health emergencies, or security threats.
 - b. **Single Source Procurement:** When only one supplier is capable of providing the required goods or services due to unique qualifications, proprietary technology, or other exclusive conditions.
 - c. **Unforeseen Changes:** Significant changes in scope or requirements that were not anticipated during the initial procurement planning and cannot be addressed through standard procedures without undue delay or cost.
 - d. **Public Interest:** When adherence to standard procedures would be detrimental to the public interest, and deviation is necessary to achieve the best value for money or to meet strategic objectives.

17.2 DOCUMENTATION AND JUSTIFICATION:

- Any request for a waiver must be accompanied by a detailed written justification explaining the need for the deviation, the risks involved, and the potential impact on the procurement process.

The justification should include:

- A description of the circumstances necessitating the waiver.
- An assessment of the potential risks and how they will be mitigated.
- An explanation of how the waiver aligns with KnK Japan's strategic objectives and procurement principles.

17.3 APPROVAL PROCESS:

- The waiver request must be reviewed and endorsed by the Procurement Review Committee (PRC) before submission to the Director of Procurement.
- The final approval must be documented in writing by the CPO or an authorized delegate, ensuring transparency and accountability.

17.4 REPORTING AND MONITORING:

- The Procurement Department shall maintain a record of all waivers, including the justification and approval documentation, for audit and review purposes.
- Periodic reviews of waiver instances will be conducted to identify trends, potential areas for policy improvement, and to ensure compliance with the waiver policy.

By adhering to these guidelines, KnK Japan ensures that waivers are granted only under justifiable circumstances, maintaining the integrity of the procurement process while allowing flexibility to respond to exceptional situations.

ABBREVIATIONS

AI	Administrative Instruction
BPO	Blanket Purchase Order
DOA	Delegation of Authority
EOI	Expression of Interest
ITB	Invitation to Bid
LOA	Letter of Assist
LOI	Letter of Intent
LTA	Long-Term Agreement
MDM	Master Data Management
PC	Procurement Committee
PD	Procurement Department
PO	Purchase Order
REOI	Request for Expression of Interest
RFI	Request for Information
RFP	Request for Proposal
RFQ	Request for Quotation
RCMS	Responsible Contract Management Staff
SOW	Statement of Work
SSP	Source Selection Plan
TOC	Tender Opening Committee
TOR	Terms of Reference
VRC	Vendor Review Committee
VRO	Vendor Review Officer

