



GLF

PROCUREMENT POLICY

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1. POLICY FRAMEWORK

1.1 POLICY OBJECTIVE

The objective of this Policy is to provide fundamental guidance to the Galapagos Life Fund (GLF) on best practices in conducting procurement for goods and services, contracting, and outsourcing activities.

1.2 POLICY PURPOSE

The purpose of this Policy is to set up procedures for the GLF for the procurement of all goods and services, contracting, and outsourcing activities. This will ensure that the goods and services procured are of good quality, are delivered on time, and can be obtained at reasonable costs. This will be achieved through the following process:

- a) **Ensure efficiency and effectiveness:** Procuring quality goods and services from reliable and well-established suppliers.
- b) **Promote transparency:** Establish clear and open procedures to ensure the integrity of all procurement operations.
- c) **Cost effectiveness:** Procuring prudently by placing emphasis on competition and the selection of vendors whose offers confirm the terms and conditions as well as the technical requirements and specifications stated on purchase requisitions.
- d) **Comply with regulations:** Ensure that all procurements are made in accordance with applicable laws, regulations, and internal policies.
- e) **Protect the integrity and reputation of GLF:** Avoid conflicts of interest and ensure that procurement decisions are made with the utmost integrity.

GLF believes that environmental sustainability, social responsibility and good governance (ESG – Environmental, Social & Governance) are key items to be taken into consideration during supplier selection and management. As part of the supply chain management process, GLF acts in a responsible manner with the ultimate aim of minimising its indirect environmental impact and to the greatest extent fostering the socially responsible management of its activities, its suppliers and the initiatives in which it takes part.

1.3 POLICY SCOPE

This Policy must be adhered to and applies to all GLF staff and generally to all activities of the GLF. The primary responsibility for the Procurement Policy rests with the GLF Board. This Policy's procedures are applicable to, but not limited to, the procurement of:

- Goods;
- Services;
- Works;
- Consultancies.

This Policy does not apply to the recruitment of GLF staff. Recruitment of employees, casual and temporary workers, graduate training, internship programs, etc. are governed by other policies.

1.4 POLICY PRINCIPLES

The following principles should be adhered to in the procurement of goods and services:

- a) **Cost-Efficiency Analysis:** Before making any purchase, a detailed analysis will be carried out to ensure maximum efficiency in terms of cost and benefit.
- b) **Transparency and Fairness:** All procurement procedures will be conducted transparently and fairly, ensuring equal opportunities for all potential suppliers.
- c) **Budget Approval and Planning:** All procurements must have prior budget approval before execution.
- d) **Link to Technical Activities:** Purchases not directly related to the technical activities of the ongoing project will not be accepted. Each purchase must directly contribute to the achievement of the established objectives.
- e) **Responsibility and Compliance:** Every department and staff member involved in the procurement process is responsible for ensuring compliance with all policies and guidelines set forth in this document.
- f) **Reliability and Compliance** with applicable laws, regulations and human and workers' rights (including the requirements of the applicable IFC Performance Standards), and demonstrating high ethical, environmental and social standards.

1.5 POLICY APPLICATION

- a) The Policy regulations shall apply to the procurement of all goods and/or services by the GLF.
- b) Any deviation from these guidelines, for whatever reason, must be authorized in writing by the GLF Board.
- c) This Policy and any modifications thereto shall be effective from the date approved by the GLF Board.
- d) All GLF staff involved in the procurement process, including GLF management, are responsible for reading and understanding the requirements and any amendments made to them and to ask questions if clarification is required.
- e) Non-compliance or failure to comply with the requirements as stated in the Policy will be treated seriously and will be escalated to the GLF Board to decide on the appropriate disciplinary action, which may include a dismissal.

1.6 POLICY UPDATE

Unless a change is triggered through audit recommendations or reorganization within the GLF management structure necessitating radical changes in processes, roles, and responsibilities, this policy will be reviewed and revised at least once per year.

2. PROCUREMENT THRESHOLDS

The GLF procurement process is based on four thresholds as follows:

I Level 1 Procurement (less than USD2,000)

Procuring frequently used, readily available, off-the-shelf goods and services for which specifications are standard, such as stationery, publications, electronic items and equipment, repair and maintenance services, and works or services of value less than USD 2,000, does not require comparative quotations unless requested by the GLF Board.

II Level 2 Procurement (between USD2,000 to USD5,000)

Procuring goods or services that cost between USD2,000 and USD5,000 will be based on a comparison of the price quotations obtained from **two (2)** unrelated suppliers. The selection of goods or services may need to consider the ability to meet the required delivery requirements, the quality of the service, and the availability of maintenance and support services.

III Level 3 Procurement (USD5,000 to USD100,000)

Procuring goods (Request for Quote, RFQ) or services (Request for Proposal, RFP) that cost above USD5,000 will be based on a comparison of the price quotations obtained from **three (3)** unrelated, reputable, and qualified suppliers. The quotation with best cost benefit and quality standards should be accepted.

The Level 3 Procurement requires obtaining three quotations or proposals from qualified suppliers. For consulting services, these are scored by at least two individuals. For goods or equipment, they are evaluated by the Project Manager/Procurement Officer.

This procedure involves a targeted solicitation to suppliers, which fulfills the competition requirement. No public RFP or Selection Panel is necessary.

Required Procurement Documentation:

1. Terms of Reference (TOR) for consulting services; Or Purchase Order for goods/equipment
2. Supplier quote/ bid on letterhead or CV and hourly/daily rates (for consulting services)
3. Communications with suppliers
4. Bid Comparison Matrix/Matrices
5. Human Rights Due Diligence Questionnaire

IV Level 4 Procurement (above USD100,000)

Procuring goods or services that cost above USD100,000 will be based on an open call.

Procurements exceeding the Level 4 Procurement threshold must undergo a competitive bidding process. A formal Request for Proposal (RFP) or Request for Quotation (RFQ) must be publicly advertised for at least two weeks. A Selection Panel of at least three members will evaluate proposals, and the selected vendor will be documented in a Selection Memo.

Required Procurement Documentation:

1. Terms of Reference (TOR) for consulting services; or Purchase Order for goods/equipment
2. Request for Proposals (RFP) for consulting services; or Request for Quotations (RFQ) for goods/equipment
3. Evidence of posting including any posted amendments or clarifications
4. Supplier proposals
5. Communications with suppliers
6. Bid Comparison Matrices
7. Human Rights Due Diligence Questionnaire
8. Selection Memo
9. Selection Panel meeting minutes

Telephone or verbal quotations will not be accepted. All quotations should be documented formally and should indicate:

- The description and quantity of the goods or service
- The time and place of delivery, and
- Any relevant warranties.

A human rights screening will be conducted using a Due Diligence Questionnaire; the outcome of the screening will form part of the supplier evaluation criteria. The Human Rights Due Diligence Questionnaire is only required for level 3 and level 4 projects unless requested by the Board.

3. PROCUREMENT BY PROPOSALS AND QUOTATIONS

3.1 REQUEST FOR PROPOSALS

The Request for Proposal (RFP) outlines the requirements for the procurement of professional services and is comprised of:

STEP 1: DRAFT REQUEST FOR PROPOSAL

1. Conditions of the Proposal: This includes evaluation criteria, information from relevant policies, criteria for participation (mandatory requirements for the supplier), Terms of Reference (TOR), and planning for the Proposal procedure (closing time).
2. Specification that describes the product, service or works required: The specification should be clear, accurate and complete.
3. Instructions to the bidders.
4. Timeline for response: The time given to respond should be no less than 2 weeks and no more than 2 months.

STEP 2: INVESTIGATE POTENTIAL BIDDERS

1. Perform a pre-qualification to determine which suppliers are likely to meet the requirements drafted in the RFP.

STEP 3: INVITE BIDDERS

1. Invite the selected suppliers. The invitation includes the RFP and requests responses from the bidders.

STEP 4: EVALUATE THE RESPONSES AND SELECT THE SUCCESSFUL PROPOSAL

1. Evaluate the received responses against the criteria and the requirements specified in the RFP.
2. Select the Proposal that offers the best combination of value for money, ability to provide the requested services and the most favorable terms and conditions.
3. Document the evaluation and selection of the successful Proposal and the reasons for choosing a certain supplier.

The evaluation process should be conducted in two stages.

1. In the first stage, the technical and qualitative evaluation of all submissions is conducted without reference to cost. The proposals are scored based on specific quality criteria to determine the most responsive proposal to the TOR set out by GLF. Where proposals are found to be non-responsive or severely limited, they should be disqualified from the rest of the evaluation process.
2. In the second stage, the costs are assessed to determine the best pricing. Costs include all fees, remuneration, and expenses. The scores for quality and the scores for costs are combined to determine the total score for each proposal. A screening for human rights will also be carried out using a Due Diligence Questionnaire, and the results of this screening will be incorporated into the selection matrix.

The bidder obtaining the highest total score will receive the assignment or contract unless, due to the nature of the assignment and the contract, negotiations are required. In the latter case, the highest-scoring bidder will be named the preferred bidder, and the second highest-scoring bidder will be named the reserve bidder. In the event the negotiations with the preferred bidder fail, the reserve bidder will be invited for negotiations. If the negotiations with the reserve bidder also fail, the RFP, ITB, or ITT are considered failed. In this event, the Executive Director will review the reasons for the failed procedure and decide on a new process to obtain the required service.

STEP 5: NOTIFY THE BIDDERS

1. Notify all bidders in writing of the outcome.
2. Invite the selected bidder for negotiations, where appropriate.

STEP 6: ESTABLISH CONTRACT WITH SUCCESSFUL BIDDER

1. GLF to draft a contract and share with supplier.

2. Enter negotiations with the supplier if needed.
3. Ensure the contract meets the criteria and requirements stated in the Proposal.
4. If required, obtain a legal opinion or advice on the contract.
5. When the contract is agreeable to all parties, finalise the contract.
6. Execute the final version of the contract.

3.2 REQUEST FOR QUOTATIONS

A Request for Quotations (RFQ) outlines the requirements for the procurement of goods that meet specific technical requirements. The RFQ process is designed to ensure fair competition, obtain the best value for money, and comply with GLF procurement policies.

STEP 1: RFQ PREPARATION

1. GLF clearly defines the goods required, including technical specifications, quantities, and delivery terms.
2. GLF establishes evaluation criteria based on price, quality, delivery terms, and supplier performance.
3. GLF determines the appropriate suppliers to invite based on procurement thresholds pre-qualification or supplier database.

STEP 2: RFQ DISTRIBUTION

1. Send the RFQ to select suppliers, ensuring all bidders receive the same information.
2. Specify a clear deadline for submission of quotations.

STEP 3: QUOTATION EVALUATION

1. Evaluate received quotations against the evaluation criteria.
2. Conduct price comparisons and quality assessments.
3. Consider supplier performance history, if applicable.

STEP 4: SUPPLIER SELECTION

1. Select the supplier offering the best overall value based on the evaluation criteria, which include screening for human rights using a Due Diligence Questionnaire. The results of this screening will be incorporated into the evaluation criteria.
2. Notify all suppliers of the outcome.

STEP 5: CONTRACT NEGOTIATION (IF NECESSARY)

1. If required, negotiate contract terms with the selected supplier.
2. Ensure that the contract aligns with the RFQ and GLF procurement policies.

STEP 6: CONTRACT FINALIZATION AND EXECUTION

1. Finalize the contract, including adherence to GLF policies as an inherent part of all contracts, pricing, payment terms, delivery schedules, and warranty information.

2. Obtain necessary approvals and execute the contract.

STEP 7: DOCUMENTATION AND COMPLIANCE

1. Maintain a complete record of the RFQ process, including the RFQ document, quotations received, evaluation criteria, and contract details.
2. Ensure that all RFQ activities comply with GLF procurement policies and applicable laws and regulations.

3.3 REJECTION OF PROPOSALS/QUOTATIONS

The GLF may reject proposals or quotations where the proposal or quotation is non-responsive because it presents major deficiencies in complying with the TOR, Scope of Work (SOW), Technical Specifications or if it leads to costs substantially higher than the original estimate. If all proposals or quotations are rejected for cost reasons, the feasibility of increasing the budget or scaling down the scope of services should be investigated. If all the proposals or quotations are rejected for reasons other than cost, the GLF shall review the reasons for rejection of all proposals and quotations and agree on the revised RFP or RFQ and budget before proceeding with the rejection and a subsequent new process.

The RFP/RFQ documents should provide that GLF reserves the right to reject all proposals and bids in its sole discretion.

Proposals or quotations shall not be rejected, and new proposals or bids invited on the same contract documents, solely for the purpose of obtaining lower prices, unless all received proposals or bids are in a similar price range that is deemed excessive by the GLF.

In cases where GLF has obtained pre-bid cost estimates for a project (for example, from an independent party), if the lowest evaluated bid exceeds GLF's pre-bid cost estimates by a substantial margin, the GLF shall investigate the causes of the excessive cost and may consider requesting new bids.

3.4 NEGOTIATIONS AND AWARD OF CONTRACT

Negotiations shall include discussions of the TOR, SOW, methodology, staffing, technical specifications payment terms, time schedule, methodology to determine the cost of variations to the TOR or SOW, liabilities, and any special conditions of the contract. These discussions shall not substantially alter the original TOR/SOW/Technical Specifications or the terms of the contract. The final TOR or SOW and the agreed methodology should be incorporated into the final contract to be awarded.

For service contracts:

The selected bidder should not be allowed to substitute key staff used in bids unless both parties agree that undue delay in the selection process makes such substitution unavoidable or that such changes are critical to meeting the objectives of the assignment. Where there is no justification for substitution of key staff, this is grounds for disqualification of the preferred bidder and opening negotiations with the reserve

bidder. The key staff proposed for substitution shall have qualifications and/or experience equal to or better than the key staff initially proposed.

Reimbursables are to be paid on actual expenses incurred at cost upon presentation of receipts and therefore are not subject to negotiations. However, GLF may define ceilings for unit prices of certain reimbursables (like travel or hotel rates) or per diem or daily subsistence allowance rates in the contract.

If the negotiations fail to result in an acceptable contract with the preferred bidder, GLF shall terminate the negotiations and invite the reserve bidder for negotiations. The rejected bidder shall be informed of the reasons for the termination of the negotiations. Once negotiations are commenced with the reserve bidder, GLF shall not reopen the earlier negotiations.

After negotiations are successfully completed, GLF shall promptly notify other bidders on the short list that they were unsuccessful.

4. DIRECT OR SOLE SOURCE PROCUREMENT

4.1 DIRECT PROCUREMENT GUIDELINES

Within the framework of GLF, Direct Procurement is a procedure reserved for specific situations wherein only a preselected and qualified entity or individual is invited to submit a bid. This bid must be based on a functional description, specification, or mandate previously prepared by GLF or its subsidiary entities. The use of Direct Procurement is typically reserved as an exception.

I DIRECT PROCUREMENT BETWEEN \$5,000 AND \$20,000 USD

Direct procurement between \$5,000 and \$20,000 USD requires appropriate documentation but no formal approval of the GLF Board. Although purchases of standard products or relatively simple consulting services are below this amount, it is advisable and prudent to request bids from more than one provider.

Procedures and Verifications:

- a) **Qualifications and Offers Verification:** Both GLF and its subsidiary entities must ensure the qualification of the selected provider and the competitiveness and adequacy of the offer through a rigorous verification exercise.
- b) **Documentation for Procurements between \$5,000 and \$20,000 USD:** In cases where the value of direct procurement is between these amounts, it is necessary to document the results of the verification exercise.

II DIRECT PROCUREMENTS ABOVE \$20,000 USD

For contractual values above \$20,000, direct procurements are allowed under special circumstances upon receipt of a no objection from the GLF Board, including:

- The uniqueness of the provider due to specific knowledge, experiences, or exclusive rights.

- Force majeure, defined by unforeseen events beyond the control of the beneficiary.
- Amendments to existing contracts that do not substantially alter the original contract and whose amount does not exceed 25% of the original value.
- Follow-up phases to existing contracts, with certain preconditions met.

Procedures and Verifications:

- a) Document the results of the verification exercise.
- b) Justify in writing the basis for invoking the mentioned special circumstances and request a no objection from the GLF Board before proceeding with the procurement.

This adaptation aims to ensure that all Direct Procurements are conducted within a framework of transparency, competitiveness, and fairness, aligning with the principles and values of the GLF. Emphasis is placed on the importance of adequately documenting each step of the process, thereby ensuring the integrity and effectiveness of direct procurements within the GLF.

4.2 DIRECT OR SOLE SOURCE PROCUREMENT JUSTIFICATION

Direct procurement at GLF is generally reserved for specific situations and is considered an exception to the standard competitive bidding process. This approach is adopted where the circumstances warrant such action, particularly when specialized skills, exclusive rights, urgent needs are involved, or only one entity exists that can provide the needed services.

- a) **Uniqueness of Service Provider:** The selected service provider possesses unique expertise and experience crucial for the specialized needs of our project that no other vendor can offer. Their unique capabilities include specific technical abilities, exclusive access to certain geographical locations, unique intellectual property, etc. that are essential for the success of the project.
- b) **Urgency and Time Constraints:** The project requires immediate commencement to meet the critical timelines that are aligned with our project goals and funding requirements. The process of soliciting multiple bids would significantly delay the project's initiation and could jeopardize its success.
- c) **Compliance with Guidelines:** This procurement falls under the guidelines for direct procurement as specified in this Policy, wherein:
 - The contractual value is below \$20,000 USD, meeting the threshold for direct procurement without competitive bids.
 - Special circumstances justify the procurement method, ensuring that no feasible alternative exists that meets the same time, quality, or technical specifications.
- d) **Approval and Documentation:** A thorough verification of the provider's qualifications has been conducted, and detailed documentation of this verification process is available. A comprehensive record of the verification process should be made available for audit purposes as required.

5. SUPPLIER REGISTRATION REQUIREMENTS

The documentation below must be provided to enable the finance department to register suppliers:

- Supplier Registration Form.
- Bank Certificate.
- RUC Certificate (Tax Identification Certificate).

6. DOCUMENTATION AND RECORD KEEPING

All procurement activities must be documented, including the collection of quotes, selection process, approvals, and receipt of goods or services. These records will be kept for a minimum of seven years for audit purposes.

7. COMPLIANCE AND MONITORING

The Executive Director of the GLF is responsible for monitoring compliance with this Policy, including periodic reviews of procurement activities and procedures.

8. CONFLICT OF INTEREST

- a) Where an apparent or real conflict of interest to a reasonable person would be involved, then, in such a circumstance, no employee or any representative of the GLF shall participate in the selection, award, or administration of a bid or contract supported by the commitment of the GLF funds.
- b) Such a conflict would arise when the GLF representative, employee, or any member of his or her immediate family, his or her partner, or an organization that employs or is about to employ any of the parties indicated herein has a financial or any other interest in the business selected for an award.
- c) In compliance with the Code of Ethics and Conflict of Interest Policy, circumstances with potential conflicts of interest should be disclosed to the Executive Director of the GLF.

9. CONFLICT RESOLUTION

Any disputes arising from procurement activities will be resolved through a structured process, beginning with mediation by the Executive Director.