

Procurement and Financial Procedures Manual
For Use By
Community-Based Organizations

June 1999

FOREWORD

1. And so goes the story: In the workshop the community leaders said government has a responsibility to provide water to the pastoral communities, and besides, the communities are poor and cannot afford to operate and maintain the bore holes. The government officials said the communities are illiterate, ignorant and have no technical know-how to deal with bore holes, so they cannot manage even simple contracting let alone finances. Bank staff were about to agree with the community leaders and the government officials when one of the participants in the workshop suggested that communities' views be sort. Several members of the pastoral community were called into the workshop. They were briefed on the issue of whether they could or not operate and maintain the bore holes. They were also given a clue of the views of their leaders and the government officials on the matter. In summary there response was a mixture of shock and disbelief; "How can you call any one of us poor when some he/she has 50 cows, 100 goats, 10 donkeys and 20 camels? If he/she sells one camel, he/she can buy water [if available] for several months to keep alive the other animals. It is true some of us cannot read and write but we have our daughters and sons who have gone to school to read and write for us. Look at all those Government bore holes; our animals are dying for lack of water because the bore holes are not working. Give them to us."

And so continues the story; one year later we visited one community borehole waterpoint and found it as busy as a beehive. It was by luck that Bank staff listened to real community members, in addition to government officials and political community leaders.

2. I thank the following persons very much for their valuable assistance and contribution in the preparation of this Manual.

- (i) Alfonso Sanchez [Head OCSPR], Jean-Jacques Raoul [Lead Procurement Specialist/RPA-Africa Region] and Valerie A. Kelsey [OCSPR] for providing financial, material and advisory support;
- (ii) Danielle R. Howell-Vaughn [Procurement Analyst] for her research work on this subject, her inputs into the contents of the "Introduction" and particularly for conceptualizing and preparing Models A, B and C, editorial work on the document and application of her analytical skills in the whole exercise;
- (iii) Federico Gimenez [World Bank Consultant, Procurement Specialist] for reviewing and providing comments on the manual and for selecting from the Bank's bank of documents appropriate sample documents from which I selected those for procurement appendices;
- (iv) David Lomax [World Bank Consultant, Financial Management Specialist] for reviewing and providing comments on the financial procedures in the manual; and
- (v) Charlotte E. Hayfron [Team Assistant, Ghana Office] for editing the final draft and for preparing the forms for the financial appendices.

3. My experience on community-based projects is limited to Eastern Africa countries and partly to Ghana, West Africa. My research on the subject during the time spent in Washington to prepare this manual was very useful as it provided useful insights on the subject of community contracting as applied in Bank-financed community-based projects.

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INTRODUCTION

1. **Definition of a CBO:** a Community-Based Organization (CBO) is a membership organization made up of a group of individuals, formed from a defined community, who have joined together to further their own interests. The concept of a CBO is known world wide as there are numerous CBOs in developed and developing countries. In the Bank's current guidelines (BP 14.70), a CBO is defined as a Non-Governmental Organization (NGO). While a CBO is fundamentally an NGO, it is different from a traditional NGO in that a traditional NGO like UNICEF, CARE, or a Church Organization normally provides products to others [beneficiaries], while a CBO provides products to itself, its members. The word "product" is used in this document to mean goods, works and services. Examples of CBOs are Community Water Committees, Women Groups, Youth Clubs, School Committees, Parent/Teacher Associations and Residential Associations.

2. **CBOs differ in size** and sophistication from country to country, sector to sector, and community to community. They can be formal or informal in structure. Formal CBOs have organized management structures and may, in such cases as that of a Cocoa Association, coordinate efforts within a given industry. Usually formal CBOs are registered in their respective countries to make them legal entities that can operate bank accounts, enter into contracts and sue or be sued. Informal CBOs on the other do not have organized management structures, they may not be registered into legal entities and they often deal with ad hoc issues and one-off activities such putting up a rural bridge, dealing with a village security issue or participating in planning and implementation of a community-based project often without follow-up responsibilities.

3. **Purpose of this Manual:** The purpose of this manual is to provide procurement and financial procedures for use by formally structured Community-Based Organizations that wish to manage and utilize their resources in an economic manner, with due care to accountability and transparency. The manual would also be useful to CBOs during the time of putting up a facility as well as during the maintenance and operation phase.

4. **Who will use the manual:** this manual is intended for use by the Bank's Task Team Leaders, designers of community-based projects, Procurement Specialists and other technical staff that have an interest in contracting and accounting functions by CBOs. These staff are encouraged to introduce this manual to CBOs benefiting from Bank financed community-based projects to ensure that the CBOs would have procurement and financial procedures that would be acceptable by the Bank and other donors during project implementation [whenever a community is allowed to do its own procurement and accounting of funds] as well as during the maintenance and operation phase of the installed facility, if by the CBO. While every effort has been made to make these procedures as simple[yet effective] as possible, users could simplify them further to meet the needs, standards and level of sophistication of the CBO.

5. **Community contracting and accounting functions in Bank financed Projects:** reviews of available documents on community-based projects financed by the Bank have revealed that in most countries, contracting and accounting functions are carried out by Government through its agencies, contracted private firms (such as AGETIP), or in the rare cases by NGOs. While it is generally accepted that the recipient communities should participate in the planning and implementation of projects, there is little emphasis placed on the need for the identified CBO to manage contracting and

accounting functions. This is due to a concern on the part of the Government officials, the World Bank and other Development Partners, that the CBOs may not have the required structures, established procedures and skills required to manage the detailed project implementation aspects of procurement and accounting of public funds. Very often Government officials will not allow communities to be responsible for contracting and accounting functions for fear of their [Government officials] losing control of financial resources, as well as losing authority on project implementation. Some feel it is like giving away the chicken that gives you the eggs or writing one's self out of work. In many cases Community representatives are not even allowed to know what is happening in contracting for their facilities, let alone participating in bid opening or evaluation. Bank staff often agree with government staff so as to get cooperation of government officials in the project implementation, and sometimes for genuine reasons that the CBOs may not be ready for contracting and accounting functions. This concern, whether real or imagined, has led to the evolution of different interpretations of the term "**community contracting**" across the Bank in trying to justify community participation in procurement and financial aspects of project implementation. To some the term may mean involving communities in community construction works, planning and design; to others it may mean awarding contracts to community based artisans and grass root suppliers and contractors; while to others it may simply mean contracts under community-based projects, regardless of who is responsible for placing and supervising the contracts. In this document **community contracting** is understood to mean a case in which the Government and development Partners entrust the communities to do procurement and contracting with suppliers, contractors and service providers, making payments and accounting for funds. Three models have been developed to illustrate the arrangements under which CBOs participate in project implementation aspects of procurement and accounting in community-based projects (see models A, B and C below).

6. **Model A:** the CBO is viewed primarily as a beneficiary of project activities. While there may be some consultation workshops conducted before, during and after the project to obtain feedback and recommendations from the community, the recipient community has no active role in the implementation of the project. Planning, contracting and financial management are handled by designated Government Agencies or by contracted firms or NGOs. Model A is widely used because it has significantly reduced risks of implementation failure. This model could be appropriate where a community would not be expected to provide future operation and maintenance of installed facilities. *Under this arrangement, these procurement and financial procedures would not be used by the CBO.*

7. **Model B:** the CBO has a more active, though limited, role in the project implementation. The CBO has been delegated the responsibility for contracting, but the financial management of the project and payments for services rendered is done by the Government or its contracted agency. *Under this arrangement only the procurement procedures would be used by the CBO.*

8. **Model C:** the CBO as the beneficiary of project activities is given **responsibility** for contracting and accounting functions. *Under this arrangement procurement and financial procedures would be used by the CBO.*

9. **Limitations on the use of the manual:** there are communities that exist in remote rural areas, with no banking facilities and limited institutional and financial capacities, and sometimes basically illiterate, that would continue to depend on Government assistance in project implementation using the arrangements exhibited in Model A, even at operational and maintenance phase. At the same time, there are increasingly large numbers of communities with capacity to be formal CBOs capable of handling their contracting and accounting functions as illustrated in Model C or partly as in Model B but are not allowed to do so. In community-based projects involving major

or complex packages, models A and C could be used in combination, with the Government managing the contracting of major or complex packages following Model A and the CBOs contracting smaller packages following Model C.

10. **Model C is useful where sustainability of an installed facility by a community is required.** Bank staff should determine whether the CBO has the following features in order to qualify for consideration for Model C:

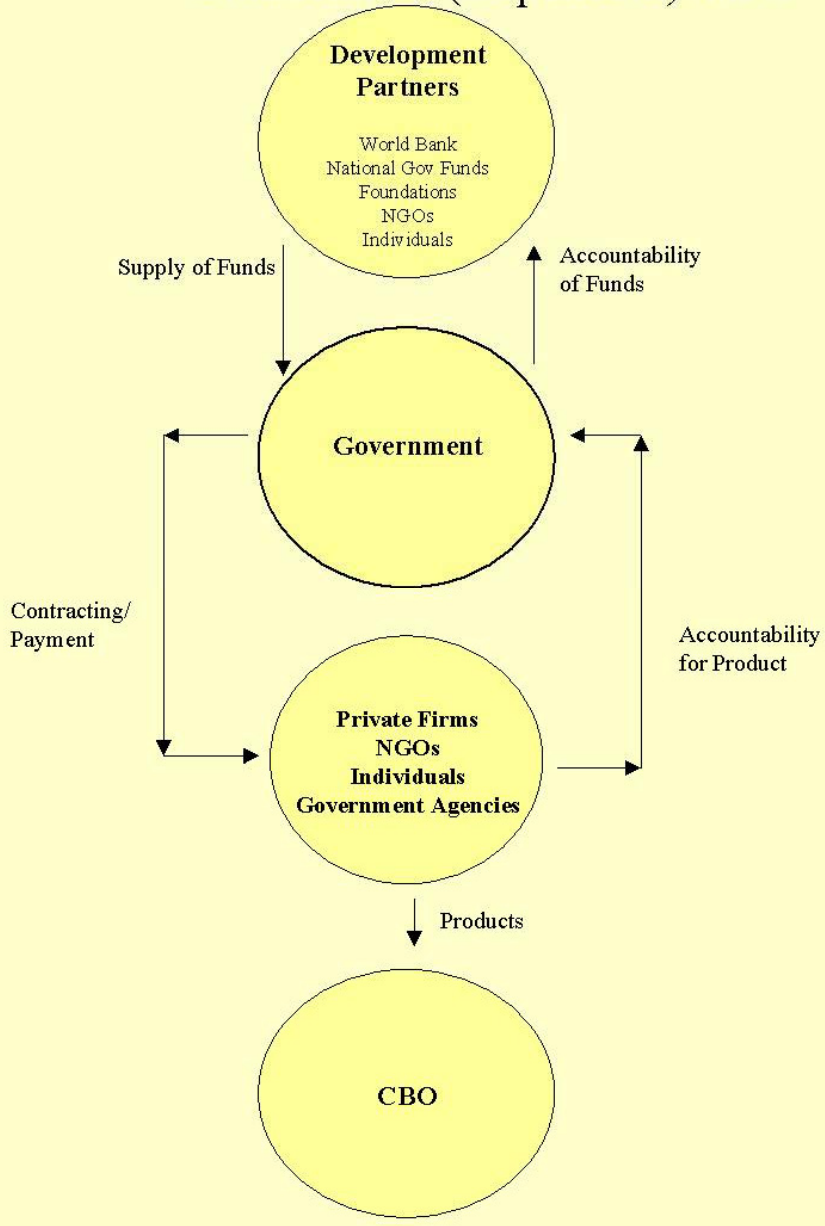
- a structure that enables it enter into contacts;
- a bank account or has access to open one; and
- a management structure with key officials responsible for CBO's activities.

11. **More specifically, for a CBO to qualify for Model C,** the proposed CBO should define its general membership, establish itself as operating under a legal entity with the right to enter into contracts, elect a Management Committee (MC), consisting of at least a Chairman, a Secretary, a Treasurer and a defined number of Committee Members. The MC would be mandated to transact business on behalf of the CBO. At least one [Chairman, Secretary or Treasurer] should be able to read and write so as to prepare and keep records of the CBO's business transactions. In some cases, the CBO may have it's own regular employees with one officer performing the role of a Manager, [reporting to the MC] and with overall responsibility for day to day running of the CBO's activities. These arrangements are critical for a CBO to qualify to implement a project under Models B or C, thus making the CBO eligible for taking responsibility for contracting and accounting functions using the procedures in the manual. If the Bank determines that the above are not met, the Bank would then explore options to upgrade the CBO.

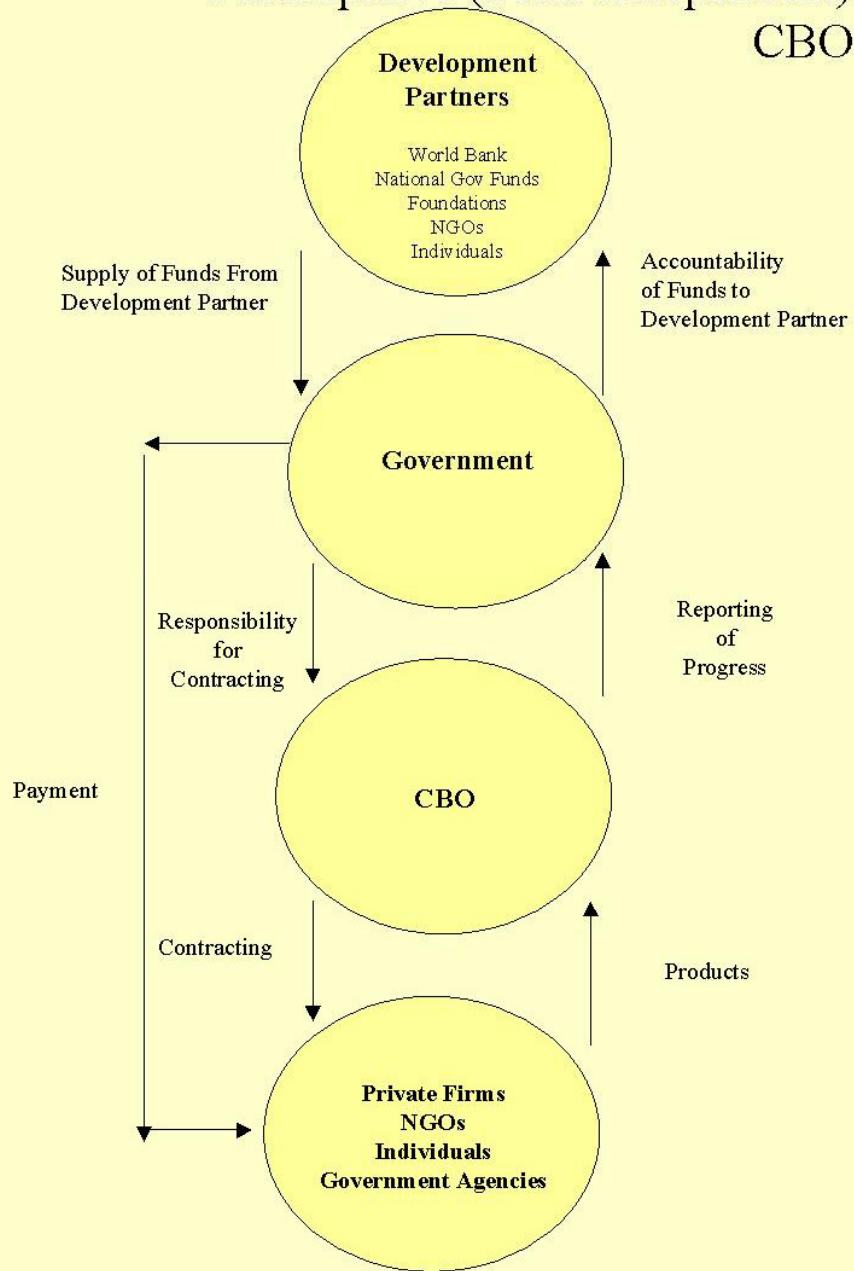
12. **The financial procedures in the Manual** would be supported by a simple chart of accounts that would ensure accurate data recording and would be subject to satisfactory control and verification (audit). It is expected that the CBO's by-laws would put in place mechanisms for MCs to disclose the accounts to its general membership.

13. **The annexes and appendices:** Documents attached as appendices in the Manual are examples; CBOs would need assistance in developing more advanced procurement and finance documents depending on their needs. For instance, they may need assistance in preparing bidding documents for competitive bidding for works and goods and RFPs for services, particularly for large contracts and for complex financial reporting.

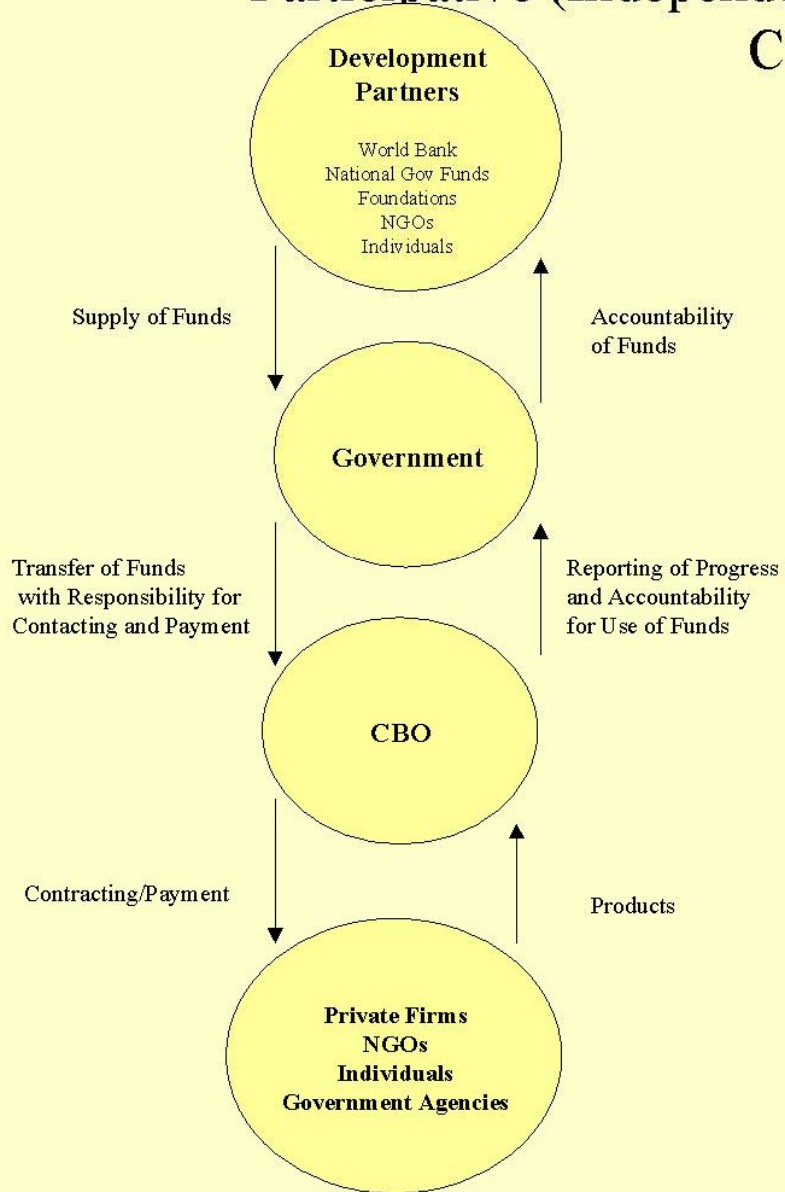
MODEL A: Consultative (Dependent) CBO



MODEL B Participative (Semi-Independent) CBO



MODEL C: Participative (Independent) CBO



END

DRAFT MANUAL

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PART 1 : INTRODUCTION

1. Title:

This document shall be cited as “Procurement and Financial Procedures Manual” of the Community-Based Organization called----- hereinafter referred to as “the CBO”]. The document consists of **9 Parts, 4 Annexes and 15 Appendices**.

2. Objective of the Procedures:

The objective of these procedure is to ensure that the CBO’s resources are collected, utilized and accounted for efficiently, economically and in a transparent manner for the benefit of the CBO Members and to the satisfaction of the CBO Members and its Development Partners.

3. The CBO

The CBO is a community member organization in -----(location) of -----and is managed by a Management Committee hereinafter referred to as “the MC”.

(a) Name of Community Based Organization:

(b) Registration Information of the Community Based Organization:

Date Registered: _____
Where: _____
By: _____
Registration No.: _____

(c) Specific Objectives of the Community Based Organization:

(d) Members of the Management Committee (insert names)

Chairman: _____
Secretary: _____
Treasurer: _____
Other Management Committee Members-
1. _____
2. _____
3. _____

(e) The mandate of the current Management Committee expires on -----

(f) Bankers (Name and Branch):

(g) Auditor(s) (name and address)

4. Definitions:

(i) “Management Committee” shall mean the Committee of members elected by the general members of the CBO to run the operations of the CBO.

(ii) “Member ” shall mean any individual who is recognized as a member of the CBO in accordance with the CBO’s by laws.

(iii) “Chairman, Treasurer and Secretary” shall mean the officials of the Management Committee.

(iv) “Development Partner ” shall mean Government and its Agencies, NGO, Individuals, Financing Institutions, Foundations, etc. that assists the CBO in its development efforts.

(v) “ Authorized Official [referred to in the draft manual as AO]” shall mean any member of MC, or person employed by the CBO and charged with the responsibility for executing activities of the CBO.

(vi) “Store keeper” shall mean the person nominated by the MC as responsible for the CBO’s store. (5).

(vii) “Common User Items” shall mean items which are regularly required by the CBO. These items are listed in Annex 2 of this Manual.

(viii) “Competitive Tender” shall mean a method of Sourcing for goods, works and services by inviting members of public to submit offers for supply of goods, works and services. Members of the public will be reached through advertising in local print media, posters, circulars, announcements and/or by direct invitation.

(ix) “LPO” shall mean Local Purchase Order and “PRF” shall mean Procurement Requisition Form.

(x) “Sole Sourcing” shall mean direct contracting without competitive tendering.

(xi) “Authorized Officer” shall mean any employee of the CBO or appointed Agent of the CBO authorized to exercise the powers or perform duties in respect of which the expression is used and as allowed in this Manual.

(xii) “Contract Price” shall mean the amount of money agreed between the supplier or contractor and the MC as payable under the contract.

(xiii) “Tenderer” and “Bidder” shall mean the same thing i.e. firm or individual who has responded by submitting a tender.

(ix) Donor or Development Partner shall mean any person, Agency, Institution etc. that donates to the CBO free of charge money, services or goods.

(x) “Applicable Law” shall mean the laws of the country of the CBO.

(xi) “Contracted Agent” shall mean any individual, Government agency, NGO or private firm contracted by the CBO to provide services.

(xi) “Language of the contract in this Manual” shall mean the Language in which the CBO has elected to do its business.

PART 2 -MANAGEMENT COMMITTEE

1. Establishment of a Management Committee

There shall be a CBO Management Committee [MC] which shall comprise of the following officials elected by the general membership of the CBO:

- Chairman -
- Treasurer
- Secretary
- Deputies
- Committee members (CBO to decide number and representation)
- Manager (where employed)

2. Procedures at Meetings:

The chairman shall preside over all meetings but in his absence the Deputy shall preside at that particular meeting. No meetings shall be held in absence of [e.g. Chairman or Deputy Chairman].

3. Meetings:

The MC shall meet at least once a-----

4. Functions of MC:

The MC shall deliberate on matters appertaining to the running of the CBO including procurement and financial management of the CBO. More specifically the CMC will:

- (i) deal with general matters of the CBO;
- (ii) prepare CBO budget for approval of----- (e.g. the general membership)
- (iii) deal with employee matters.
- (vi) oversee the functions of the CBO including all procurement and financial matters.

5. Quorum:
The MC quorum necessary for the transaction of business shall be members of the MC, inclusive of the person presiding.
6. Minutes:
All proceedings of the MC shall be recorded and the minutes, which shall be confidential, shall be circulated to the MC members within-----weeks. The minutes of the MC meetings shall be made available to any member who may wish to inspect them.
7. Co-option:
The MC may from time to time co-opt in its meetings other persons as it may require for the proper discharge of its business.
8. On tenders:
 - (a) adjudicate the applications referred to it by -----(name of AO or agent) having regard to budget provision and to the evaluation and recommendations thereon;
 - (b) consider any matter on procurement and finance referred to it;
 - (c) make recommendations on matters to be attended to by -----(name of AO or agent); and
 - (d) recommend action to be taken on people who infringe these procedures.
The confirmed and signed minutes of the MC shall constitute evidence of the decisions and recommendations made thereby;
9. The -----(name of AO) shall provide to the Internal Auditor minutes of every MC meeting; and to authorized persons or agents for official purposes only, as reasonably required.

PROCUREMENT PROCEDURES

PART 3 - GENERAL GUIDELINES

1. Application
These procedures shall govern and apply to procurement of goods, works and services for and on behalf of the CBO and in accordance with the approved Work-plan and Budget as provided for in Part 6, paragraphs 1 and 2 of this Manual.
2. Competitive Bidding
Except as otherwise provided for in these procedures, supply of goods, works and of services to the CBO shall be procured on basis of competitive bidding.

3. Products

The CBO shall procure all products having regard to economy and quality.

4. Services

The CBO will ensure that any Person , NGOs, firms or Government Agencies engaged to provide services have the necessary managerial and technical qualifications, experience and financial capabilities to carry out the assignments. The MC shall prepare terms of reference clearly stating the scope of the assignments and the required qualifications and experience. Selected Persons, NGOs, firms or Government Agencies would be requested to submit bids and MC would determine most suitable firm or individual for contract award.

5. Approved Supplier

The MC shall competitively appoint approved suppliers for common user goods and services on an annual or term basis and the list of these approved suppliers shall be maintained and monitored by the ----- (AO).

6. Requisition for Procurement to be initiated

All requisites for procurement to be initiated shall be made on PRF forms duly authorized by -----(AO).

7. Splitting of Transactions

The Financial limits set out in Part 5 of these procedures shall be strictly complied with and splitting of transactions is not allowed except with the approval of MC i.e. procurement transactions of a similar nature shall not be made separately with the cumulative effect of exceeding the established ceiling without going through an open competitive bidding process.

8. Amendment

These procedures may be amended only by the MC.

9. Custody of Documents

Except as otherwise provided for in this manual, all formal contract documents shall be in the custody------(name of AO).

10. Storekeeper

The MC shall (if necessary) have a store/stores managed by a “Storekeeper” who shall be responsible for receiving and issuing of all stores [except accountable documents for which the -----(AO) is responsible] procured by either cash, credit, LPO, bidding or donated and shall take charge of each item in stores ledger or bin cards. Before payment is made for goods, the storekeeper must certify that goods received conform with the contract specifications.

11. Inspection of goods and works and Verification of Services

Prior to any payment being made for contracted goods, works and services, Authorized Officers of the CBO shall inspect and certify that the goods, works and services are carried out properly in accordance with contract conditions and specifications.

PART 4- PROCUREMENT BY OPEN COMPETITIVE BIDDING

1. Advertising for Competitive Bids

Competitive open bids shall be invited in all cases by advertising in newspapers, posting notices in strategic places, radio announcements etc. where the costs of goods or works in one contract or transaction are estimated to cost over ----- . Competitive quotations shall, where provided for be from different suppliers. Bidders shall be allowed not less than-----weeks to prepare and submit bids.

2. Bidding Documents

Bidding Documents shall contain sufficient details and shall allow adequate time to enable prospective bidders respond appropriately. The documents shall spell out how bids will be evaluated and specify that the contract will be awarded to the bidder determined to be the lowest evaluated bid.

3. Evaluation Committees

A bid evaluation committee of not less than-----shall be constituted by the MC to evaluate each bid.

4. Certification

Before acceptance of any goods, the requisitioning person shall certify that the goods supplied are of the right quality and correspond in all respects to the samples or specifications in the bidding documents and shall make written certification to that effect before they are received by the storekeeper.

5. Invitation for Bids

Except as otherwise provided in these procedures, the AO or any authorized Agent of the MC shall be responsible for the invitation of all bids in liaison with the MC.

6. Bidding and Quotation Rules

All prospective bidders shall be required to comply with the following conditions:

- (a) all bids and quotations shall be forwarded to the MC in plain sealed envelopes bearing only such endorsements or labels as may be specified in the invitation notice provided that no name, mark or identity of the bidder shall appear on the envelope;

- (b) all bids and quotations must be addressed to the MC Chairman or -----
-----;
- (c) all bids and quotations must be delivered by post, by courier or by hand or by messenger or through the tender box within the time specified in the notice. Bids or quotations by telephone or telegram or fax will not accepted unless so allowed in the invitation to quote;
- (d) the MC shall not be bound to accept the lowest or any tender; and
- (e) all inquiries relating to any tender shall be addressed to-----
-----.

7. Bid Box

There shall be a tender box which shall have locks, the keys to which shall be held by -----
----- appointed by the MC.

8. Opening of Bids

- (a) all bids duly received shall be opened at the appointed place, date and time by a tender opening committee of-----MC members appointed by the Chairman of the MC.
- (b) bids shall be opened immediately after the time specified as the deadline for their submission.
- (c) any bidder may, if he so wishes, be present at the opening of bids either personally or by a duly authorized agent.
- (d) upon opening of bids, the bid opening committee shall cause the same to be numbered, date-stamped, initialed and listed and whenever possible, the prices shall be announced, but bidders will be reminded that the MC will not be bound to accept the lowest or any bid and the prices announced would not be an indication of who would be awarded the tender.
- (e) the -----(AO) shall have the complete confidential custody of bids received before they are opened and shall ensure that the same are secure and that they are not opened except as provided in these procedures.
- (h) all bids received after the specified time shall be marked 'LATE' and endorsed with the time and date of receipt and returned to the sender at the address given in the said bids.

9. Confidentiality of Bidding Documents

All the members of the bid opening committee and other officers of the CBO who may handle bidding documents shall keep the contents thereof confidential and shall ensure that the documents are conveyed from office to office having due regard to secrecy and security.

10. Bidding Documents

- (a) bidding documents shall specify the evaluation criteria to be used, and the MC may accept any bid other than the lowest one having due regard to, inter alia, quality, standardization policy, delivery duration, after sales service, experience in the market place, and other relevant matters as specified in the bid evaluation criteria,
- (b) in adjudicating bids, the MC shall, inter alia, take into account the following factors:-
 - (i) Compliance with specifications;
 - (ii) the best price quoted and whether it is considered realistic judging from the prevailing market price for similar goods or services;
 - (iii) qualifications and guarantees offered by the bidders;
 - (iv) experience of the bidders with previous contracts;
 - (v) technical advice by experts;
 - (vi) delivery period; and
 - (vii) special conditions of bid e.g. validity of prices, fluctuations of currency, taxation and transport costs.
- (d) Bids shall ordinarily be awarded to the lowest evaluated bidder and whenever this is not done, the reason thereof shall be clearly given in respect of each of the lower bidder.

11. Notification of Award

The----- (AO) shall notify the successful bidder of the award after all the necessary approvals and formalities are complied with, and also ensure that the unsuccessful bidders are appropriately notified of the outcome.

12. Formal Contract Agreement

- (a) the ----- (AO) shall ensure that formal contract agreements are executed where the bid value exceeds -----;
- (b) in all other cases, the ----- (AO) may dispense with preparation of formal contract documents provided that clear letters of acceptance or other acceptable documents are issued on behalf of the MC;
- (c) all contract agreements shall be for definite duration;
- (d) renewal or extension of contracts shall not be undertaken without the prior approval of the MC.

OTHER PROCUREMENT METHODS AND PROVISIONS

13 Selective Bidding

For procurement of specialized items, e.g. printing of accountable documents like receipts, only firms with capacity and credibility for such work will be invited to bid. Before initiating bidding, all selective bidding must be approved by the MC. Bids for services shall however be by selective bidding and no prior approval of MC shall be required to initiate selective bidding. Contract award shall however be subject to MC approval.

14 . Single source or direct contracting

Where it is established that only one firm or source can provide required categories of goods, works or services, procurement may be made directly from that firm or source without going through competitive bidding provided that the MC shall consider and approve the method, contract and proposed contract conditions, including contract price.

15. Procurement Samples

Where appropriate and so required in the bidding documents, samples of goods to be supplied shall be made available to the MC for verification.

16. Sample Register

The ----- (AO) shall maintain a samples register.

17. Conflict of Interest.

Enterprises of MC members and their immediate relatives and MC member themselves will be allowed to participate only in competitive bids. However with clear approval of MC, single source may be accepted from such sources only if it is the only efficient source provided it is economical.

18 Overseas Procurement

Where goods or services are required from overseas, the MC will (i) if the CBO is part of an on-going community-based project ask the project implementing agency to do it for them or (ii) contract a qualified agency to process the procurement following procedures of the CBO to the extent possible. Actual procedures to be followed by a contracted agent will be agreed between MC and the agent.

PART 5 - FINANCIAL LIMITS AND AUTHORITY

1. Financial Limits

The following financial limits shall apply in acquisition of goods, works or services:

- (a) Up to ----- -Direct Purchase

- (b) From -----to ----- -At least three (3) complete quotations
from 3 independent suppliers.
- (c) above ----- competitive bidding (open or selective)

2. The Authority of ----- (AO)

The -----(AO) shall have authority to approve contract awards for procurement of goods, works or services whose value does not exceed -----per single transaction without reference to the MC and shall sign the LPOs to authorize the purchase. All contract awards above that figure will be approved by the MC.

3. The -----(AO) shall:

- (a) ensure procurement of goods or services procedures specified in this manual;
- (b) ensure that all procurement transactions are efficiently done to fit the needs of the CBO;
- (c) approve and sign all LPOs and contracts for purchases authorized in these procedures and as allowed in the approved budget;
- (d) ensure that at all times, the LPOs are retained in safe custody and in the event of any loss, a report thereof shall be made to the MC. Upon such loss, he/she shall immediately cause the serial numbers of lost purchase order forms to be published in the -----/and -----newspaper, accompanied by a statement of disclaimer of liability arising from the said lost documents;
- (e) subject to the financial limits provided under these procedures, he/she may place orders upon requisition from the store for items necessary for the maintenance of stock at authorized levels and contracts placed for common user items; and
- (f) ensure that from each year's Workplan and Budget, a list of common user items are prepared for procurement following appropriate methods and contracts are awarded in a timely manner prior to the beginning of the year.

FINANCIAL PROCEDURES

PART 6 - GENERAL

1. Annual Work Plans [AWP] and Budget:

The -----(MC or AO) will prepare and Annual Work Plan and Budget for each year of operation allowing sufficient time for it to be approved by the ----- (MR or general membership) The work-plan must indicate all the activities to be undertaken

in the year and must be the basis of the budget. The budget must show sources of revenue and applications.

2. Annual Budgets

The Annual Work Plan shall be the control and guiding tool in financial operations of the CBO. All financial transactions shall conform to the provisions of the AWP and the Budget. Activities shall be financed on the basis of available funds from the approved budget less expenditure incurred to date for each item. Budgeted amount for any activity must not be exceeded without the authority of the MC [or -----].

3. Monthly Budget

After approval of the annual budget by the MC, the ----- (AO) shall prepare monthly budgets, indicating clearly receipts and applications. The monthly budgets and expenditures of each previous month must be approved by the MC.

4. Accountable Documents:

Accountable documents will bear pre-printed serial numbers and will be printed by a contracted firm using appropriate LPOs. the -----(AO) will take custody of these documents and he will be responsible for their safety movements and register. These documents will be [but not limited to]:

- (a) check books
- (b) LPO books
- (c) Receipt books
- (d) Invoice books; and
- (e) Goods Received Notes.
- (f) Requisition Note Books
- (g) Ledgers
- (h) Store Records

5. Keeping of the Accounts

The -----(AO) will be responsible for bookkeeping for all CBO financial transactions. The accounts must be kept in accordance with acceptable practices of accounting. These accounts and monthly trial balances shall be presented to the MC and Auditors by -----
-----of the following-----.

6. External Audit

The -----(AO) must within one month of end of each financial year complete books of accounts and submit them to the designated external auditor for preparation of an audit report. The External auditor must submit to the MC an audit report within 3 months. The External Auditor must be provided in a timely manner with all required information/documents by ----- (AO) to ensure completion of the audit report in time.

7. Cash Float

The-----(AO) must keep a cash float of not more than-----which must be maintained on an imprest basis.

8. Statutory payments

The -----(AO) must ensure that all statutory payments are submitted each month to specified agencies in a timely manner. Where the ----- (AO) is unable to make such payments, the MC must be informed.

9. CBO's equipment and Facilities

Each equipment must be provided with a work ticket on which an authorized person would state clearly the purpose and source of financing. No COB equipment or facility should undertake any non-CBO activity without such authorization.

PART 7 - FINANCIAL REGULATIONS

1. Receipt of Funds:

For all moneys paid to the MC by cash, check, money order etc., an *official receipt* must be issued to the payee.

2. Banking of all revenue collected:

All funds collected by the -----(AO) [by cash or check] should be receipted and banked intact the following day after collection and should not be used for petty cash imprest. Petty cash imprests should be drawn directly from the bank using appropriate imprest forms.

3. Contributions to the CBO by Development Partners:

All donations to the CBO by cash shall be entered into the CBO books as revenue but would only be used for the purpose indicated by the Development Partner, where so indicated. Donations by kind in the form of goods or materials and other assets would be accounted for in the same way as if they were procured by the CBO.

4. Scale of Tender Documents:

Some bids may require preparation of bidding documents. Where such documents are considered costly to produce, the-----(AO) may charge for documents, but the charge should be the cost of production; it should be adequate to discourage wanton taking of documents and not too high to discourage competition.

5. Payment for Goods, Works and Services and imprests

(i) All orders for procurement of goods, works and services must be made on official LPOs regardless of the amount of money involved. All LPOs should be treated as

accountable documents. All payments should be made for goods and services with invoices attached to authorized LPOs and a properly authorized payment voucher.

- (ii) All payments exceeding -----must be made by check.
- (iii) No check must be signed before it is written and all authorizing papers must be attached for verification.
- iv) Payments will be made only against invoices and for all cash payments, payees must sign a petty cash voucher.
- (v) Applications for imprest in [cash or check] must be made in appropriate forms and must be certified by -----and approved by the ----(AO) or in his absence, his Deputy. Imprest should only be given to the applicants and must be accounted within -----**days** of return [if it was for travel] or completion of the assignment for which the imprest was issued. No imprest will be given before the previous one has been accounted for unless it is applied for within the - days provided for above.
- (vi) No advance payments shall be given for supply of goods or services unless provided for in the contract and such advance should be secured by a Bank Guarantee of similar amount or some other guarantee as deemed adequate to safeguard the interest of the CBO.
- (vii) Applicable Rates

While on official duty outside the CBO area of jurisdiction, employees and MC Members of the CBO will be allowed per diem at the following rates:

<i>Night-out</i>	<i>Day</i>

- (i) Members of the MC
- (ii) Employees of the CBO
- (iii) Other parties

The per diem rate will include hotel accommodation, food and laundry. For accounting purpose, no receipts will be required but there must be evidence of night(s)/day(s) stayed out on duty. Day rate shall mean the Officer was out more than 10 hours but no overnight stay was involved.

PART 8 – HIRING OF CBO’s EQUIPMENT AND FACILITIES

1. Basic Policy:

The basic policy is that the CBO should provide and levy economic charges appropriately for such services and payment mechanism should not put a burden on the CBO in collecting debts.

2. Hiring of equipment

(a) rates of hire for equipment are given in Annex 5. The estimated cost of the use of the equipment must be paid in full [or-----%] before authorization of the use. On completion of the use, the MC will refund immediately any amounts of money not used. Any additional funds to be paid by the hirer must be done within ---- days of completion of the use. Appropriate demand notes would be issued to the hirer.

(b) emergency requests for use of equipment could be authorized by the Treasurer/SM or his Authorized Deputy and other formalities to be completed immediately thereafter.

3. Hiring of other CBO's Facilities

-- % of payment for hire of CBO's facilities at the rates stated in Annex 5 must be paid before starting to use the facility; the balance must be cleared **within --- days after completion of use of the facility**

PART 9: FIXED ASSETS

1. Fixed Assets Policy:

The CBO's Fixed Assets Policy will be based on general acceptable accounting practices and standards.

2. Records of Fixed Assets:

The----- (AO) shall keep a fixed assets Register which shall be updated regularly [monthly] to give a complete record of assets purchased, received, issued, sold or disposed off. Each asset shall have an identification code, value and accelerated depreciation.

3. Maintenance of Fixed Assets:

All serviceable fixed assets shall be handled with care and shall be subject to regular maintenance and service. Proper records shall be kept to show the frequency and cost of maintenance service. Where the CBO lacks expertise to service assets, maintenance or service contracts should be entered into, following appropriate procurement procedures.

4. Insurance

All assets shall be insured to cover such contingencies as fire, theft, loss due accident and third party liabilities on injury/loss to property and persons [including staff and students]. The ----- (AO) shall advise the MC on appropriate and cost of insurance to be taken. Vehicles should be insured comprehensively.

PART 10 - DISPOSAL OF BOARDED STORES AND EQUIPMENT

1. Boarding of Stores and Equipment

The MC shall from time to time conduct a survey of CBO stores and equipment and decide on items to be disposed of. The MC shall decide on how such items would be disposed of.

2. Procedure for Sale of Stores or Equipment

The MC shall dispose of boarded stores and equipment in accordance with the-----
----[auction or tender procedures].

3. Loaning of Stores or Equipment

Loaning of stores or equipment shall not be permitted except as authorized by the MC.

4. Disposal of Land and Buildings

Disposal of land and buildings owned by the CBO shall not be carried out without the prior approval of the general membership of the CBO.

ANNEXES (to be prepared by CBO)

ANNEX 1	Register of General Members of the CBO
ANNEX 2	Articles or By-laws of the CBO
ANNEX 3	Register of Approved Suppliers/Contractors/Artisans
ANNEX 4	List of Common User Tools
ANNEX 5	Rates for Hire of CBO's Equipment and Facilities

APPENDICES: PROCUREMENT

APPENDIX 1	Invitation to Bid [advertisement notice]
APPENDIX 2	Order and contract for goods
APPENDIX 3	Order and contract for works
APPENDIX 4	Order and contract for services

APPENICES: FINANCE:

APPENDIX 5	Local procurement Order
APPENDIX 6	Purchase Requisition
APPENDIX 7	Goods Receipt Note
APPENDIX 8	Payment Voucher

APPENDIX 1:

Name and Address of CBO

Invitation to Bid [advertisement notice]

1. The [name of the country] has received a [loan, grant credit] from _____ towards the cost of [name of the project financed by the _____]. The Government has allocated a part of the loan and its own funds [amount in local currency] for implementing the [name of the subproject] in the [name of the region] to be implemented by _____ [name of CBO]. It is intended that these funds will be applied to eligible payments under contracts to be given out by the CBO.
2. We hereby invite you/your firm to make a firm sealed offer for the following: [choose from the following list the applicable type of procurement]
 - construction of [for instance, village dam, or other civil works, as the case may be]
 - supply of [for instance, five spades; 200 nim trees, etc., listing the items and quantities of the goods needed]
 - consultant assistance to [for instance, prepare designs for the dam or bridge; for preparing subproject plan for the community etc., as the case may be].
3. The specifications of the [works, goods, or consultants-choose the applicable] needed are attached to this invitation to bid.
4. You/your firm need to meet the following requirements to be eligible to bid:[choose from the following list the applicable type of procurement]
 - for civil works contracts [provide a list of similar works carried out earlier; have an annual turnover that is three times higher than the average contract value; have or be able to rent the equipment needed for the work;....];
 - for supply of goods [provide proof that the firm has the required goods in stock or will be able to get them on a short notice; in the case of mechanical equipment such as vehicles, computers etc., provide evidence that the firm has the required service facilities within the region;....]
 - for consultant assignments [provide proof that the person(s) have suitable education and experience for the task; provide copies of documents prepared for the types of services required for the assignments, at least two cases]
5. You/your firm may obtain further information from the Chairman or Secretary of the [name of the CBO] at the following address: [address and telephone number, if any].
7. The bids, with all the information requested in the Instructions to Bidders (attached), shall be delivered to the Chairman or Secretary of the [name of the CBO] before [date and time]. Bids should delivered to the following address [postal address, tel. No., fax no., em address, building name, room no., street, town]. Late entries cannot be considered.

Names of CBO Representatives: _____

Signatures: _____ Date _____

Attachments:

1. Instructions to Bidders
2. Specifications for the applicable Works, Goods, or Consultancies needed
3. Estimated Quantities (for works only)
4. Letter of Submission of Bids
5. Draft Contract

APPENDIX 2

Name and Address of CBO

Order and Contract for Supply of Goods

To: [*Name of the Director and firm which has won the supply contract*]

Address: [*Address of the firm*]

Subject: Supply of [*equipment, material, etc.*]

Mr. Manager/Director,

The [*Name of CBO*] would like to place an order for the supply [and installation if needed] of, in conformity with your proforma invoice No. of....., attached, specifying the prices of the goods for whose procurement you successfully competed...

1. SUBSTANCE OF GOODS

[*List of goods requested, with quantities*]

2. AMOUNT OF THE CONTRACT

The amount of the order is fixed at [*currency units*] and is not subject to revision.

3. TIME LIMIT AND PLACE OF DELIVERY

The time limit for the delivery of goods is set for(days, weeks or months) from the date of the approval of this contract. This approval should take place in the maximum time limit of [number of days, for instance 15] days from the date of the signing of this contract by the representatives of the [*name of CBO*]. The goods will be delivered at [*destination*].

4. INTERIM RECEIPT

An interim receipt will be issued upon delivery of all the goods. Or: If installation of the goods is required, the interim receipt will only be issued after installation of the equipment are completed (delete one). The receipt will be acknowledged as the interim receipt report.

5. TIME LIMIT FOR THE WARRANTY AND AFTER-SALES SERVICE

The deadline for the warranty period is set for (X) months from the date of the interim receipt. During the warranty period, excluding the current maintenance, all the repairs resulting from faulty equipment will be at the supplier's expenses, including the supply of replacement parts and the overhead costs.

The supplier is to guarantee an after-sales service to ensure the maintenance service as well as the fast and regular supply of spare parts.

6. FINAL RECEIPT

The final receipt will be issued at the end of the warranty period, and will be acknowledged as the final receipt report.

7. RETENTION

The retention amount, to be reimbursed when the final receipt has been issued, is set up at 10 percent of the total amount of this order/contract.

8. LIQUIDATED DAMAGES

In case of delay within the period specified in the contract, the supplier is subject to a penalty of 1/1000 of the price of the goods ordered per calendar day of delay. However, the ceiling of these penalties is 10 percent of the total amount of the order.

In case the 10 percent ceiling is exceeded, the administration reserves the right to terminate this order/contract.

9. SCHEDULE OF PAYMENT

The amounts which are due will be paid in the following manner:

___% at the countersigning of this letter of order, for advance payment (if the supplier has to order the goods). [*It is recommended that the amount of this advance should not exceed 30% of the total amount.*]

___% of the amount of the invoice upon issuance of the interim receipt.

10% of the amount of the invoice upon issuance of the final receipt.

Total: _____ 100% [Total should always be 100% of the amount of the contract.]

10. FORM OF PAYMENT

The payment will be made in cash by the signatories of the [*name of CBO*] or by check of the [*name of bank*] at [*place*].

11. APPROVAL OF THE ORDER/CONTRACT

This contract will be effective only after it has been signed by the supplier.



Names of CBO Representatives _____

Signatures _____ Date _____

Read and accepted:

For the Supplied by: _____

Signature _____ Date _____

APPENDIX 3

Name and Address of CBO

Contract for Works

This Agreement is made between the Representative of the _____ [*name and address of CBO*] of the one part, and _____ on behalf of the contractor [*name and address of the supplier*] of the other part. It has been agreed as follows:

CLAUSE 1 - CONTRACT OBJECTIVES

This contract is for

Subproject.....

at.....

the village of

The works assigned to the contractor consist of :

[a detailed explanation or reference to a description/design/list of quantities in an attachment]

CLAUSE 2 - SUBCONTRACTING

The contractor may subcontract one or several parts of his works only under his entire responsibility.

CLAUSE 3 - CONTROL OF THE WORK EXECUTION

The execution of this contract is controlled by the Committee of the [*name of CBO*]. The Government, that provides a major part of financing for the Subproject, may send its own technicians to inspect the work being done or completed.

In case of non conformity to the norms or rules of the profession, the Representative of the community/farmer group, upon a report of the person in charge of the Government's technicians, may bring to the attention of the contractor the breach of contract. An assessment will be made by the Government technicians.

The works poorly executed shall be repaired or improved by the contractor.

CLAUSE 4 - RESPONSIBILITY

The contractor is responsible during the execution of the work for the damages and accidents of any kind caused to a third party by the personnel and equipment of the contractor.

CLAUSE 5 - TIME LIMIT FOR THE WORK EXECUTION

The whole work should be completed withinmonths from the date of the signature of the contract.

CLAUSE 6 - LIQUIDATED DAMAGES

In the event that works specified in the contract are not completed on schedule, the contractor shall be subject to a penalty of 1/1000 of the price of the works ordered per calendar day of delay, except in the case of force majeure, that would need to be confirmed by a Government's technician appointed by the authorities of the [name of CBO].

CLAUSE 7 - INTERIM RECEIPT

The interim receipt will be acknowledged in a report and issued upon completion of the works. A certificate of acceptance will be provided by the Committee of [name of CBO], which may first request an opinion from a Government-appointed technician.

CLAUSE 8 - FINAL RECEIPT

The final receipt will be acknowledged in a report of the Committee of [name of CBO], who may seek the prior opinion of a Government technician appointed by the authorities responsible for the implementation of the [name of the Government/IDA financed project].

CLAUSE 9 - AMOUNT OF THE CONTRACT

The amount of the contract is[currency unit].

CLAUSE 10 - SCHEDULE OF PAYMENTS

The schedules of payments are :

- | | <u>In money</u> | <u>In kind</u> |
|---|-----------------|----------------|
| 1. Advance for Start-up [amount] | | |
| 2. First Stage at [define the first stage] [amount] | | |
| 3. Second Stage at [define the second stage] [amount] | | |
| 4. _____Stage [] [amount] | | |
| 5. After Final Receipt [amount] | | |

CLAUSE 11

This agreement is signed as follows:

Done at -----[*place and date*]

(a) Names of CBO Representatives: _____

Signature: _____ Date _____

(b) Name and position of Representative of the Contractor: _____

Signature _____ Date _____

APPENDIX 4

Name and Address of CBO

Order and Contract for Services

To: [Name of the Director and firm which has won the contract]

Address: [Address of the firm]

Subject: Supply of [specify such as studies, technical assistance, consulting, supervision] Services

The [Name of CBO] would like to place an order for the supply [specify such as studies, technical assistance, consulting, supervision] services....., in conformity with your bid offer No. of....., attached, specifying the assignment and prices of the services for whose procurement you successfully competed...

1. CONTENT AND PROGRESS OF THE ASSIGNMENT

The study and its progress will be in accordance with the terms of reference attached to this document.

2. AMOUNT OF THE CONTRACT

The amount of the contract [or rate per day and number of days] is fixed at [currency units] and is not subject to revision.

3. TIME LIMIT AND SUBMISSION OF REPORT

The time limit for the completion of the services is scheduled for(days, weeks or months) from the date of the approval of this invoice letter by the consultant or consulting firm. This approval should take place in the maximum time limit of 15 days from the date of signing of this order/contract.

Your firm will submit an edited interim report (5 copies) to the [name of CBO] at the end of the field work.

Five (5) copies of the final edited report will be submitted to the [name of CBO] two weeks after its review of the interim report. At the same time, one copy will be submitted to the Provincial Coordinating Committee [or similar] for information.

It is agreed that the [name of CBO] will be allowed 45 days for the review of the interim report. After that time limit, the interim report may be considered as final.

4. LIQUIDATED DAMAGES

In case of delay beyond the period specified in the contract, you [your firm] are subject to a penalty of 1/1000 of the price of the studies per calendar day of delay. However, the ceiling of these penalties is 10% of the total amount of the contract.

In case the 10% ceiling is exceeded, the [*name of CBO*] reserves the right to terminate this order/contract.

9. SCHEDULE OF PAYMENT

The amounts which are due will be paid in the following manner:

___% at the countersigning of this letter of order, for advance payment [the amount of this advance should in no circumstance exceed 30% of the total amount].

___% of the amount of the invoice upon issuance of the interim receipt.

___% of the amount of the invoice upon issuance of the final receipt.

10. REVIEW AND APPROVAL OF THE CONTRACT

This document will become effective only after it has been signed by both parties and reviewed and approved by the technical staff appointed by the Government [*usually the provincial- or regional-level procurement assistant*].

Names of CBO Representatives: _____

Signatures: _____ Date _____

Read and accepted by:

For the Consultant/Consulting Firm

Name and position of Representative: _____

Signature(s):- _____

Attachments: Terms of Reference
Work Program
Breakdown of Costs

Appendix 5

Name of CBO:.....

Address:.....

To: Messrs.....

Address:.....

Date:.....

LOCAL PROCUREMENT ORDER (LPO)					
FROM:.....					
ITEM NO.	DESCRIPTION	UNIT	QUANTITY	UNIT PRICE	TOTAL COST
TOTAL					
CONDITIONS:					
1. Purchase Order number should be quoted on Delivery Note and Invoice. 2. Delivery shall be completed by date After which order shall be cancelled. 3. Invoices should be accompanied with duplicate copies of related LPO.					
Approved by (name)			Authorized by (name):.....		
Signature.....			Signature		
Date:.....			Date.....		

Appendix 6

Name of CBO.....

Address:.....

Date:.....

PURCHASE REQUISITION				
From:.....				
ITEM NO.	DESCRIPTION	QTY	UNIT PRICE	TOTAL PRICE

Account Code No. and Description_____

Financial Position to-date:_____

Total Budget for Item:_____

Amount spent to-date:_____

Balance of Account:_____

Approved by (name).....	Authorized by (name)
Signature.....	Signature.....
Date:.....	Date:.....

Appendix 7

Name of CBO:.....

Address:.....

Date:.....

GOODS RECEIVED NOTE

Name & Address of Supplier				
.....				
.....				
DATE OF SUPPLY	DESCRIPTION	QUANTITY	UNIT PRICE	VALUE
TOTAL				

GOODS HAVE BEEN CERTIFIED AS CORRECT RECEIPTS.

Name of receiving Officer.....	Signature.....	Date.....
Certified by.....	Signature.....	Date.....

Appendix 8

Name of CBO.....

Address:.....

Date:.....

PAYMENT VOUCHER

PETTY CASH/CHEQUE

Please issue cash/cheque in favour of:

_____ Amount in figures: _____

Cheque No. _____

Petty Cash Voucher No. _____

Date: _____

Particulars of payment [e.g. LPO, contract, invoice]

Voucher prepared by: _____ Signature _____ Date _____

Authorized by: _____ Signature: _____ Date _____