



Procurement Policy

Appendix A Definition of Terms

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Purchasing

The activity of acquiring goods or services to accomplish the intended goals.

It starts with ordering goods and services (request, approval, budget clearance, issuing a Purchase Order), and ends with receiving them.

Procurement

Procurement is the overarching function that describes the activities and processes to acquire goods and services from an external source.

Importantly, and distinct from “purchasing”, procurement involves the activities involved in establishing fundamental requirements, sourcing activities such as market research and vendor evaluation and negotiation of contracts.

Its objectives are that goods and services are appropriate, procured at the best possible cost, and meet the needs of the acquirer in terms of quality, quantity, time, and location.

Procurement processes aim to promote fair and open competition while minimizing exposure to fraud and collusion.

It often involves:

1. Purchase planning
2. Standards determination
3. Specifications development
4. Supplier research and selection
5. Value analysis
6. Price negotiation
7. Making the purchase
8. Supply contract administration
9. Etc.

What’s the difference between Purchasing and Procurement?

Purchasing is a subset of the wider procurement process.

Procurement process is the umbrella under which purchasing falls.

Procurement entails a wider scope; it takes much more than just ordering and receiving goods.

Procurement Planning

Procurement planning is the exercise performed by end-users to plan needs and coordinate efforts with the Office of Procurement early enough.

Acquisition Matrix

A table which depicts the method via which the University procures its needs.

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Delegation of Authority (DOA) Matrix

A table which depicts the authority limits of University Officers involved in the Procurement cycle.

Procurement Authority Matrix

A table which depicts the power delegated to procurement agents for carrying out their duties.

It could include information like:

1. Name of Procurement Agent
2. Line(s) of Business (s) to purchase
3. Geographical areas to purchase from
4. Entity(s) to purchase for
5. Financial authority limits, per Delegation of Authority (DOA) Matrix
 - a. Micro Purchase – Direct Order
 - b. Small Purchase – Direct Quotations
 - c. Bid (Sealed) – Above Acquisition Threshold
 - d. Etc.

Micro Purchase – Direct Order

A purchase made by the Procurement Agent within the limits of the Delegation of Authority Matrix (DOA). It is usually made for lower-value off-the-shelf items or standard services that are simple and not complicated.

The Purchasing Agent shall contact the Strategic Supplier or the Approved Supplier to obtain verbal quotes and shall document such results.

Small Purchase – Direct Quotations

A purchase made by the Procurement Agent within the limits of the Delegation of Authority (DOA) Matrix. It is usually made for higher-value items or services that do not require extensive special skills or highly complicated procedures.

The Purchasing Agent shall contact Strategic Suppliers or Approved Suppliers to obtain at least three written quotations (usually via an e-mail, fax, or letter).

Bid (Sealed) – Above Acquisition Threshold

A purchase made via publicized competitive bidding when the expected bid amount equals or exceeds the Acquisition Threshold specified in the Delegation of Authority (DOA) Matrix.

Generally, RFBs are used to acquire goods where the price is the decisive factor. The lowest acceptable bidder is awarded the bid.

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On the other hand, RFPs are used to acquire goods or services where the price is not the only factor. Other technical and qualitative factors have a weight. The bidder whose hybrid score is the lowest is usually awarded the bid.

Emergency Procurement

A procurement made on an urgent, exceptional, and compelling basis. Such purchases require the upfront approval of the University President.

End-user

The End-user is the person who actually uses the product or receives the service. In the context of this policy, an end-user is the authorized requester of the product or service.

Request for Bids (RFB)

A written invitation to prospective suppliers to submit a bid on materials or services.

It is initiating a step of a competitive tendering process in which qualified suppliers or contractors are invited to submit sealed bids to supply specific and clearly defined goods or services during a specified timeframe.

It is only a solicitation that does not constitute a binding agreement.

Request for Information (RFI)

Request made typically during the project-planning phase where a buyer cannot clearly identify product requirements, specifications, and purchase options.

RFIs clearly indicate that award of a contract will not automatically follow.

Request for Quotation (RFQ)

Document used in soliciting price and delivery quotations that meet minimum quality specifications for a specific quantity of specific goods and/or services.

RFQs are usually not advertised publicly, and are used commonly for:

1. Standard off-the-shelf items
2. Items built to known specifications
3. Items required in small quantities
4. Items whose purchase price falls below sealed-bidding threshold

Request for Proposal (RFP)

Document used in sealed-bid procurement procedures through which a purchaser advises the potential suppliers of:

1. Statement and scope of work
2. Specifications
3. Schedules or timelines

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4. Contract type
5. Terms and conditions
6. Description of goods and/or services to be procured
7. Criteria used in bid evaluation (technical and price)
8. Special contractual requirements
9. Instructions for preparation of technical, management, and/or cost proposals
10. Etc.

RFPs are publicly advertised and suppliers respond with a detailed proposal, separate from the price quotation.

Request for Technical Proposal (RFTP)

Document used in two-step bidding process through which only technical information is solicited.

After selecting the most suitable proposals, the advertiser invites those respondents to bid by sending detailed proposals.

Pre-qualification of Bidders

Screening of potential contractors, suppliers, or vendors (on the basis of factors such as experience, financial ability, managerial ability, reputation, work history, etc.) to develop a list of qualified bidders who will receive the Request for Bid (RFB) documents.

Vendor File

A vendor file includes the documents, data, and information required from third parties from which the University procures goods and services.

It is a pre-requisite for dealing with third parties.

Supplier List

A list that includes all Strategic Suppliers and Approved Suppliers to deal with. This list should be updated continuously, at least once a year, adding new suppliers and removing non-performing suppliers.

Strategic Supplier

A supplier of a particular product, commodity or service that has been pre-approved via a pre-qualification process or via past satisfactory performance of bids or purchases.

This supplier should have agreed to provide deep discounts, high-quality products, excellent service, and extremely favorable terms and conditions.

Strategic suppliers should be invited to participate in competitive bids or approached for the purchase of goods and acquisition of services.

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Approved Supplier

A supplier of a particular product, commodity or service that has been pre-approved via a pre-qualification process or via past satisfactory performance of bids or purchases.

This supplier should have agreed to provide discounts, quality products, good service, and favorable terms and conditions.

When products or services are not available from Strategic Suppliers, approved suppliers should be invited to participate in competitive bids or approached for the purchase of goods and acquisition of services.

Suspended Supplier

A supplier whose performance was less than satisfactory in terms of quality, specifications, delivery, performance, commitment, agreement (breach of), terms and conditions, etc.

Suspension may be temporary until the reasons thereof are removed or permanent to avoid the risks of repeated unfavorable experiences.

Blacklisted Supplier

A supplier who committed an intentional illegal, corrupt, or unethical act.

Blacklisting is permanent until further notice from appropriate parties.

Procurement Request (PR)

Document generated by end-users department or store personnel to notify the Office of Procurement of items they need to order, their quantity, the timeframe, etc.

Purchase Order (PO)

A buyer-generated document that authorizes a purchase transaction. When accepted by the seller, it becomes a contract binding on both parties.

A purchase order sets forth the descriptions, quantities, prices, discounts, payment terms, date of performance or delivery, other associated terms and conditions, etc.

All Purchase Orders are serially numbered and are issued by the Office of Procurement.

Purchase Specifications

Detailed description of the measurable characteristics desired in an item to be purchased, such as quality, size, weight, performance parameters, safety requirements, etc.

Pre-Bid Meeting

It is a meeting attended by all prospective bidders where the University explains the objective, scope, and particularities of the bid in question, answers all questions, and makes both the questions and answers available to all prospective bidders.

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Bidding (Sealed Bids)

Transparent procurement method in which bids from competing contractors, suppliers, or vendors are invited by openly advertising the scope, specifications, and terms and conditions of the proposed contract as well as the criteria by which the bids will be evaluated.

Competitive bidding aims at obtaining goods and services at the lowest prices by stimulating competition and by preventing favoritism.

In closed competitive bidding, the sealed bids are opened in the presence of authorized personnel.

Technical Evaluation

Tests, analysis, or studies conducted to investigate and determine the technical suitability of an equipment, material, product, process, or system for the intended objectives.

Bid Bond

A written guarantee from a third party guarantor (usually a bank) submitted to NDU by a bidder in relation to a bid. It could be in the form of a letter of guarantee, a certified check, or a banker's check.

It is a financial instrument that provides a source of compensation if the supplier fails to enter into contract or comply with the terms and conditions of the bid. NDU may use the bid bond to salvage liquidated damages.

Performance Bond

A written guarantee from a third party guarantor (usually a bank) submitted to NDU by a bidder who won the bid. It could be in the form of a letter of guarantee, a certified check, or a banker's check.

Upon bid award, the bidder retrieves the Bid Bond and replaces it with a Performance Bond.

It is a financial instrument that provides a source of compensation if the supplier fails to fulfill the terms and conditions of the bid.

The performance bond is released after the services are performed satisfactorily or goods delivered in accordance with the terms and conditions of the bid. Otherwise, the client may use the performance bond to salvage liquidated damages.

Liquidated Damages

Amounts which the supplier agrees to pay as damages, if the supplier breaches an obligation.

Bid Committee

The Bid Committee is the body authorized to open RFBs, RFPs, RFQs, RFIs, RFTBs, pre-qualify bidders, assess end-user evaluation reports, technical evaluation reports, recommend award of bids, and recommend cancellation of bids.

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The University may appoint additional members to the Bid Committee, as justified by the bid subject and as deemed appropriate.

Bid Evaluation

The process of opening, examining, and evaluating bids to determine the bidders' responsibility, responsiveness, and other factors associated with selection of a bid for contract award.

Bid evaluations are performed in two separate steps: Technical evaluation and Price Evaluation.

Bid Award

NDU notice to a bidding contractor or vendor of the acceptance of the submitted bid.

Sole Source

Award for supply of a good or service to one supplier. It could be justified under anyone of the following conditions:

1. Good or service is available from a single source because of its specialized or unique characteristics
2. Emergency procurement
3. Inadequate competition after multiple attempted solicitations
4. Standardization

Standardization

A decision to limit sourcing to one particular model or brand rather than opting for generic specifications. This can be justified for reasons such as economies of scale, compatibility with other models or services, or maintenance and repair of already procured goods.

Procurement Agent

A member of the Office of Procurement assigned to procure goods and services on behalf of NDU in accordance with the Delegation of Authority Matrix (DOA).

Receiving

It is the acknowledgement of satisfactory receiving of goods and services in accordance with agreed-upon specifications as per pre-set terms and conditions.

Receiving of goods and services is a multi-layer process: primary receiving in receiving area, initial receiving by end-users, technical receiving by subject matter experts, and final receiving by Receiving Committee.

Zero Dollar Purchase Orders

Purchase Orders (POs) used for transaction where there is no cost to NDU. Yet, there is a need to document the transaction for ownership, risk of loss, responsibility, liability, etc.

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Partial Delivery (PD)

A situation where partial deliveries of the agreed-to total quantities in the Purchase Order (PO) are made at intervals; such quantities, dates, and delivery locations are specified before-hand in the PO.

This is justified when the supplier needs to manufacture purchased goods or when the client (purchaser) wants to avoid tying in cash or piling inventory.

Warranty

It is a written guarantee issued by a manufacturer of a machinery or equipment undertaking to repair or replace it if it malfunctions within a specified period.

Retention

It consists of retaining a certain percentage of the value of the contract until complete and satisfactory execution of the terms and conditions of the contract.

Such a retention shall be released after the lapse of a specified period or after meeting a certain milestone.

Clearance

It is a discharge by the Service Provider to the University releasing it from all claims pertaining to the works and acknowledging receipts of all payments.

Kickback

Any money, fee, commission, credit, gift, gratuity, thing of value, or compensation of any kind which is provided, directly or indirectly, to any NDU employee, subcontractor, or subcontractor employee for the purpose of improperly obtaining or rewarding favorable treatment in connection with an award.

Collusion

It is a scheme or arrangement between two or more parties, internal or external, designed to fix prices at artificially non-competitive levels or to provide a specific party an unfair advantage to the detriment of NDU.

Split Purchase

An intentional split of a purchase into two or more purchases in order to reduce their individual monetary value in order to circumvent purchase thresholds and fall within a lower Delegation of Authority (DOA) category.