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**1. OBJECTIVE**

To provide procedures for the Foundation's purchases and contracts, establishing guidelines for the execution of purchases and/or contracts, in order to ensure correct alignment with management practices to safeguard objectivity, transparency, and effectiveness in this process.

**2. SCOPE**

By default, all actions related to purchases and contracts shall be governed by these policies, except those subject to a protocol established by a donor. This policy applies to the entire organization and its providers.

**3. SELECTION GUIDELINES AND CRITERIA**

The criteria applied to the identification of potential providers are as follows:

- Providers must meet legal and technical criteria and reflect an ethical character in their management practices;
- Providers must be reliable companies that can fully comply with the requirements.
- Preference will be given to providers with responsible social and environmental practices; for example, companies with B certification, providers working with economic solidarity, fair trade, and local providers

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- Purchases and contracts should stimulate the local economy whenever possible;
- Irrespective of better quality or price, preference will be given to products or services that result from productive processes and management strategies to eliminate or mitigate the effects of pollution.
- Exclusion of products or services that involve child labor or worker exploitation, according to the criteria set by the International Labor Organization (ILO);
- Exclusion of providers with proven convictions, cases of corruption, fraud and other bad practices.
- When contracting consultancies, the Code of Ethics applies to the Institution's relationship with providers, outside consultants, and interns in terms of criteria and preferences for contracts and managing conflicts of interest
- The Administrative Director of the Legal Entity (or RAEL, for the acronym in Spanish) of each country has the ability to reject providers if and when he/she observes noncompliance with the criteria defined in this section.

In addition to the business relationship and administrative management criteria for purchasing and contracts, we should take the following guidelines into account.

The institution's interests must always be considered in all purchasing decisions, particularly in the following areas:

- The commercial relationship with providers should always be formal and all agreements must be in writing.
- Providers must submit the following business information: Business Registration of the Company (in the case of Legal Entities) and banking information.
- Providers should be paid in a timely manner according to the conditions agreed upon in the respective contracts or purchase orders.
- The RAEL of each country is responsible for signing the purchase order or contract, and for requesting the representative's identification to verify his or her signature.
- Administrators and the RAEL provide support for contract preparation and payment.
- THE RAEL is responsible for monitoring provider contracts, in particular with respect to: contract expiration; contractual clauses; and legal aspects could generate risks if not monitored.

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#### 4. CONTRACTS OR PURCHASING FOR AVINA'S OPERATIONS

Avina understands different selection criteria for providers may vary according to amount of money and type of process. As a general guide, the purchasing and contracting methods used by Avina are:

Avina Internal Purchases		
Contracts and purchases must be made according to the corresponding controls for the Budget approved by each Entity/Area		
<b>Goods, Contracts for Services</b>	<b>Contract or Direct Purchases</b> (direct purchase of goods or contract for services that are necessary for operations)	Purchases less than \$5,000 USD. Do not require approval. It is recommended as good administrative practice to request more than one quote for purchases exceeding \$2,000 USD.
	<b>Best Quality and Cost Selection</b>	Purchases exceeding \$5,000 USD. Require approval. Evaluation of 3 provider proposals. Documentation is sent to CFO who will approve the best proposal received. Require Purchase Order.
<b>IT/Communications/DAE/ Talent Management</b>	<b>Verify Technology and Telecommunication Policies</b>	Prior authorization for purchase from the area using these services
<b>Consultancies</b>	<b>Direct Contract</b>	Amounts less than \$5,000 USD Consultancies up to three months in duration Contract individual Consultants or Renewal of Contract Prior authorization for purchase by the area for these services
	<b>Talent Bank Policy</b>	Verify the process in the Talent Bank Policy Approval from the Area Director and Manager of Talent Management

Exceptions to the Best Quality and Cost Selection apply in cases of a previous relationship between the provider and Avina and a satisfactory performance evaluation of that provider. However, the provider must submit a new quote annually.

#### 5. CONTRACTS OR PURCHASES FOR GRANTS

All contracts and purchases for investments must be accounted for in the budget for the Partnership and must comply with the level of management agreed upon with the donor. Actions associated with purchasing and/or contracts are registered in the CRM, including uploading supporting documents to the system.

To begin the process, a procurement be tied to a fully approved grant, as required by the approval process set forth in the Grant Management Policy. In all cases, the management process and documentation apply as established in the Grant Management Policy.

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## 5.1. Contracts for Services and Equipment

### Contracts and Purchases for Social Investments / In-kind Donations

Approval according to each Unit's Approval Matrix. Contracts and purchases are included in the budget for partnerships with each Co-Investor.

<b>Contracts for Services/Travel, transportation, rental, translation, materials</b>	<b>Direct Purchase</b>	Under \$3,000 USD Evaluation of best options for pricing, but it is not necessary to record the search process or proposals in the CRM Quote and Invoice
	<b>Best Quality and Cost Selection</b>	Over \$3,000 USD Evaluation 3 proposals from different providers (Include the price comparison process for the investment in the CRM) Contract or Purchase Order (where applicable). Invoice
	In all cases, contracts for travel services will be made through a travel agency and will require the invoice or proof of payment including the travel description and passenger name.	
<b>Purchases of Equipment or Machinery</b>	<b>Direct Purchase</b>	Under \$3,000 USD Evaluation of best options for pricing, but it is not necessary to record the search process or proposals in the CRM Quote and Invoice
	<b>Best Quality and Cost Selection /Guarantee/Technical Service</b>	Over \$3,000 USD Evaluation 3 proposals from different providers (Include the price comparison process for the investment in the CRM) Contract or Purchase Order (where applicable). Invoice

## 5.2. Consultancy Contracts

For all types of consultancy contracts made directly by Fundación Avina, it is important to consider the proposal value and quality of the services required. Consultants must be in compliance with all laws and regulations, particularly in terms of labor relations with their teams, social security payments, worker's compensation, taxes, and similar requirements. Similarly, the following guidelines must be considered:

- The amount established for the service(s) must satisfy all needs for fulfillment of the Contract to full completion, avoiding any problems caused by unplanned costs that may impede full completion of tasks or compromise the quality of the work assigned. It is important to specifically include all future travel-related costs, and how these will be accounted for in the project budget.

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- It is important to define terms of payment tied to the completion of milestones. The final milestone must include delivery of all products as agreed in the contract, and completion of this final milestone is required in order to process the final disbursement.
- Final payment on the Contract must take place only after positive verification and proof of work performed has been provided by the responsible party.
- Work performed by external consultants is the intellectual property of AVINA, although explicit mention of the authors must be made. This includes possible future dissemination of the work by any means.
- For all Consultancies, a **Terms of Reference document** must be developed. This document must include: the objective of the service; duration; amount; date(s) of payment; expected products and delivery dates; budget; Avina Coordinator responsible for Supervision of the Service; Chronogram of milestones; Method of milestone review and milestone approval. If the contract is with a consulting company, the contract must designate a responsible coordinator at that company, who will be Avina's counterpart in the project.

**Contracts or purchases for Social Investments/In-kind Donations**

Approval according to the Approval Matrix for each Unit. Contracts or acquisitions included in the budget for the partnerships with each Co-Investor.

<b>Consultancies</b>	<b>Direct Contract</b>	Amounts under \$5,000 USD Consultancies less than three months in duration Contract with individual Consultants require elaboration of document justifying the Direct Contract signed by the Manager of the Operational Unit Contract Renewal, an annual control of prices will be established with other providers in the same category
	<b>Talent Bank Policy</b>	Amounts over \$5,000 USD Development of TDR Consult Talent Bank o open a call Legal Support for Consulting Contract and Confidentiality Agreement Approval by Area Director and Manager of Talent Management

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### 5.3. Talent Bank

The Talent Bank is the first point of reference for individuals that form part of Avina's team or have worked for Avina and can be contracted to join new projects or programs.

The Talent Bank is a database of qualified professionals, who have performed work or may perform work with Avina, contributing their know-how and experience in the different areas of the institution's development.

This database is managed by Talent Management with the participation of Area Directors, Program Managers, and Country Directors. Coordination with the Talent Bank serves to expedite and minimize risks in the contracting process.

The following are some aspects of the dynamics of the Talent Bank with respect to contracting:

1. The duration of a consultancy is tied to the project or partnership.
2. Approvals are made by the corresponding Area Director or the Manager of Talent Management.
3. The internal processes involved, Selection and Institutional On-boarding will be limited by and in reference to the consultant's areas of activity.
4. Talent Management coordinates with the IT department for access to the CRM system, AX (or other corresponding system) and requests new email accounts under the extension @avexterno.org
5. Professional external consultants will not have access and will not be included in authorization processes.
6. At the end of the consultancy, the provider must complete a Compliance Evaluation.

