

Report On
Procurement Process and Supplier Evaluation System at NRB
Bank

By

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(BIGD)
in partial fulfillment of the requirements for the degree of
Masters in Procurement and Supply Management (MPSM)

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Brac University
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Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I have acknowledged all main sources of help.

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Subject: Report on Procurement Process & Supplier Evaluation System at NRB Bank

Dear Sir

I am pleased to present my findings on the 'Procurement Process & Supplier Evaluation System of NRB Bank Ltd,' as per your directive. In compiling this report, I have endeavored to provide comprehensive details and recommendations in a concise and meaningful manner.

I am confident that the report fulfills the expectations set forth and addresses the key aspects of the procurement process and supplier evaluation system within NRB Bank Ltd.

Thank you for the opportunity to contribute to this important initiative.

Sincerely,



Md. Abdul Hai

22382002

BRAC Business School

BRAC University

Date: April, 2024

Non-Disclosure Agreement

This agreement is established between NRB Bank Ltd. and the undersigned student, Md. Abdul Hai is currently enrolled at BRAC University. Given my current employment with the organization, I acknowledge access to confidential information of NRB Bank Ltd. I commit to maintaining strict confidentiality regarding this information and pledge not to disclose it to any external parties outside the organization's purview.



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Acknowledgment

I offer sincere thanks to the Almighty for His blessings bestowed upon me, which have enabled me to successfully submit my project. I extend my sincerest thanks and acknowledge our esteemed supervisor, Mr. Mahbub Ahmed Chowdhury, FCIPS, SVP & Head of Procurement at City Bank Ltd., for his invaluable guidance and support throughout this endeavor. His profound expertise in procurement and supply chain management, coupled with his unwavering encouragement, has been instrumental in my project's completion. I am deeply grateful for his patience, leadership, and meticulous review of my work, which have helped shape it into its final form.

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Lastly, I am indebted to my parents for their unwavering support and patience.

Executive Summary

This report focuses on supplier evaluation and procurement processes, underscoring the significance of supplier assessment in enhancing procurement efficiency, cost reduction, leveraging the supply base, strengthening supplier relationships, and enhancing overall business outcomes. Additionally, the report offers a checklist for supplier evaluation, stressing the importance of regular assessments, establishing evaluation criteria, and other key considerations. It serves as a comprehensive guide for organizations seeking to enhance their procurement processes and cultivate better supplier relationships.

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List of Acronyms

PURCO	Purchase Committee
FMD	Facilities Management Division
HOFMD	Head of Facilities Management
CAPEX	Capital Expenditure
OPEX	Operating Expenditure
HOD	Head of Department/Division
BM	Branch Manager
PO	Purchase Order
WO	Work Order
RFQ	Request for Quotation
BOQ	Bill of Quantity
CIPS	The Chartered Institute of Procurement & Supply

Chapter 1

Introduction

1.1 About NRB Bank

NRB Bank, a pioneering fourth-generation bank in Bangladesh, commenced its banking operations on August 4, 2013, with a clear vision: to become the premier financial institution for Non-Resident Bangladeshis (NRBs) seeking to invest in Bangladesh, and for Bangladeshi individuals and businesses looking to access global markets.

Driven by a commitment to foster customer loyalty, enhance shareholder value, and ensure employee satisfaction, the bank remains steadfast in its dedication to sustainable banking practices. Offering a diverse range of products and services across Retail Banking, SME Banking, NRB Banking, Corporate Banking, and E-Banking, NRB Bank caters to the varied needs of its clientele.

Through an extensive network of delivery channels, including Branch Banking, Agent Banking, Real-time Online Banking, Internet Banking, SMS/Alert services, and VISA Debit/Credit Cards with Global Access, the bank ensures convenient access to its services. Presently, NRB Bank operates 52 branches, 31 sub-branches, 51 ATM booth outlets, and 311 agent outlets nationwide, providing widespread coverage and accessibility to customers across the country.

1.2 My Role at NRB Bank

I have been working at NRB Bank Ltd. under the facilities management department since 2015. For the past nine years, I've been an integral part of the Facilities Management Department at NRB Bank Ltd., where I've played a pivotal role in overseeing procurement activities. Within this capacity, I've been entrusted with managing all aspects of procurement, including capital expenditures and other essential acquisitions, effectively becoming the driving force behind the procurement operations throughout the organization.

My primary responsibilities encompass procurement activities related to infrastructure development and maintenance. This involves not only the acquisition of necessary materials and services but also extends to the intricate tasks of preparing civil and architectural designs, drawing up layouts, and developing tender schedules. These responsibilities are crucial in ensuring that the organization's infrastructure aligns with its strategic goals, meets quality standards, and adheres to budgetary constraints.

In addition to spearheading procurement initiatives, I've been actively involved in the regular maintenance of office facilities. This holistic approach to facilities management allows for a seamless integration of procurement processes into the broader context of maintaining a conducive and efficient working environment.

Throughout my tenure, I've consistently demonstrated a commitment to excellence in procurement, focusing on optimizing processes, ensuring cost-effectiveness, and adhering to stringent quality standards. My role goes beyond mere transactional activities; it involves strategic decision-making to support the overall goals and sustainability of NRB Bank Ltd. This comprehensive approach has been instrumental in the successful execution of infrastructure projects and the ongoing maintenance of our office spaces.

In essence, my role extends beyond traditional procurement responsibilities, encompassing the strategic planning, design, and execution of infrastructure projects, all of which contribute to the seamless functioning and development of NRB Bank Ltd.

1.3 Purchase Category of NRB Bank

All purchases of the Bank are largely segregated into the following categories, i.e. CAPEX & OPEX

1.3.1 [Capital Expenditure (CAPEX)]

Capital expenditures (CAPEX) refer to expenditures that yield future benefits. They occur when a business invests funds either to acquire new fixed assets or to enhance the value of an existing fixed asset, which has a useful lifespan extending beyond the current taxable year. For the purpose of purchase procedure and control, CAPEX is further sub-classified into the following categories:

1.3.1.1 CAPEX against Freehold Assets

CAPEX against purchase or such renovation/refurbishment that increases an existing asset's useful life of Freehold Furniture & Fixtures, Office Equipment, Vehicles, Computer and Network Hardware and peripherals, etc. fall into this category.

CAPEX against the purchase of Freehold Premises (Land, Building and Floor Space) or Construction of Buildings also fall into this category. CAPEX against purchase of Freehold Land, Building and Floor Space or Construction of Buildings will be exhaustively guided by the chapter "Freehold Land, Building and Floor Space" of this policy.

Expenditures against purchase of Leasehold Premises (Land, Building and Floor Space) also fall into this category. The Bangladesh Bank in its BRPD Circular 04 dated 25 January 2010 imposed a restriction on purchase of both leasehold and freehold properties to the effect that

prior approval of the Bangladesh Bank will have to be obtained for acquiring of any real estate property by a bank.

1.3.1.2 CAPEX against Leasehold Assets

CAPEX against purchase or such renovation/refurbishment that increases an existing asset's useful life of Leasehold Furniture & Fixtures, Office Equipment, Vehicles, Computer and Network Hardware and peripherals, etc. fall into this category.

Expenditures against purchase of Leasehold Premises (Land, Building and Floor Space) also fall into this category. **The Bangladesh Bank in its BRPD Circular 04 dated 25 January 2010 imposed a restriction on purchase of both leasehold and freehold properties to the effect that prior approval of the Bangladesh Bank will have to be obtained for acquiring of any real estate property by a bank.**

1.3.1.3 CAPEX against Intangible Assets

According to International Accounting Standard (IAS) 38, Intangible Assets are described as identifiable non-monetary assets lacking physical substance. These assets are under the control of the entity due to past events such as purchase or self-creation and are expected to generate future economic benefits, such as cash inflows or other assets. Examples of Intangible Assets include computer software, patents, copyrights, customer lists, mortgage servicing rights, licenses, import quotas, franchises, customer and supplier relationships, marketing rights, and more.

1.3.2 Revenue/Operating Expenditure (OPEX)

All other expenditures that are not classified under Capital Expenditure are revenue/operating expenditures (OPEX) which are directly expensed in Income Statement/P&L Account. Stationeries, repair & maintenance, rental/leasing, entertainment, engaging of consultants or professionals, etc. are examples of OPEX.

Generally, all expenses are provided under annual approved budgets and exceptions are considered on case to case basis.

1.4 Regularly Procured Items of the Bank

Within the realm of facilities management at NRB Bank Limited, a comprehensive range of items is regularly procured for daily operations, Corporate Office, Branch, and ATM Booth establishments. Here is an organized breakdown of the various categories and items procured:

Regularly Procured Items:

- 1. Interior Decoration Items:** Including decor elements, paints, wallpapers, carpets, lighting fixtures, and other aesthetics enhancing the ambiance of the office spaces.
- 2. Furniture Items:** Chairs, tables, cabinets, desks, and other essential furniture pieces required for office spaces, lounges, and customer service areas.
- 3. Vault & Locker's Fireproof Steel Items:** Fireproof doors, safes, file cabinets, and other security-oriented steel items to safeguard valuables.
- 4. Electrical Equipment:** Air conditioners, freezers, ovens, and other electrical appliances necessary for day-to-day operations.
- 5. Electromechanical Equipment:** Generators and related equipment ensuring continuous power supply.
- 6. Security Systems:** CCTV cameras, access control systems, fire detection and firefighting equipment, intruder alarms, and motion detectors, ensuring comprehensive security measures.
- 7. IT Equipment:** Software, personal computers, printers, photocopiers, online UPS, and other essential IT infrastructure.
- 8. ATM Machines:** Procurement and maintenance of ATMs and associated components for banking services.

Specific Procurement for Brand and Communications:

- 1. Office & Branch Signboard & Logo:** Materials for creating and maintaining signage and logos representing the bank's identity.
- 2. Advertisement (Print & Electronic Media):** Procurement of advertising space, materials, and services for marketing and promotional purposes in both print and electronic media.

Office Equipment:

- 1. Daily Stationery Items:** Pens, papers, files, folders, and other daily use office stationery.
- 2. Printing Items:** Account opening forms, loan application forms, deposit opening forms, brochures, and other printed materials necessary for banking operations.
- 3. Canteen Items:** Supplies for the office canteen, such as tea, sugar, and other consumables.

These items are crucial for the day-to-day operations and establishment of various facilities within NRB Bank Limited, ensuring smooth functioning and maintaining the brand's standards and identity.

Chapter 2 Procurement Process

Procurement encompasses numerous stages, commencing with needs assessment and progressing through supplier exploration, value assessment, purchase requisition, review, conversion to purchase order, contract oversight, receipt evaluation, three-way reconciliation, payment execution, and documentation maintenance.

2.1 [Standard Procurement Process]

According to The Chartered Institute of Procurement & Supply (CIPS) outlines the procurement cycle, which consists of several stages:



Figure-1: CIPS Procurement Cycle

2.1.1 Comprehend the requirements and create a high-level specification

The initial step in the procurement process involves comprehending and delineating the business requirements. Engaging cross-functional stakeholders in this phase and tapping into their expertise enables the development of a high-level specification. Early stakeholder involvement facilitates the change process, particularly in instances where stakeholder buy-in is essential.

2.1.2 Market analysis and evaluation of commodities (including make or buy assessments).

After defining the business needs and establishing a high-level specification, the subsequent step involves exploring available options in the market. This entails assessing our expenditure, current market positioning, and market dynamics to identify potential suppliers and assess the level of competition. During this phase, an analysis is conducted to determine whether to produce internally, procure externally, or outsource the required service.

2.1.3 Formulate a strategy and plan.

After formulating the specification, outlining business requirements, and conducting marketplace assessments, the subsequent step involves crafting a strategy and plan. This process should take into account the potential impact of external factors. Depending on organizational policies, there may be a preference for utilizing small local suppliers or transitioning to global sources. In the presence of competition and favorable market positioning, opting for competitive tendering may be appropriate. Conversely, if reliance on a single supplier exists, strategies may involve fostering competition or internalizing the process. Additionally, considerations such as the procurement power derived from volume and associated risks must be factored into the analysis.

2.1.4 Pre-procurement market testing and engagement with the market

Market development involves identifying both stakeholder and business needs, as well as the necessary adaptations to implement the procurement strategy flexibly to meet those needs. Evaluating the market or strategy aids in determining the opportune moment to enter the market, considering factors like crop cycles, competitor actions, suppliers' fiscal year-end, and emerging legislation.

2.1.5. Create documentation

It is essential to allocate time to develop tender documents comprehensively. These documents should include a detailed breakdown of volumes, service level agreements, terms and conditions, and specifications to ensure consistency in pricing, product quality, and operational functionality. This approach minimizes the risk of financial repercussions resulting from incorrect specifications. When drafting specifications, it is crucial to differentiate between product requirements and preferences, allowing suppliers flexibility while ensuring adherence to tolerances. Technical, engineering, or operational input may be incorporated into this process. The specification will be integrated into the tender documentation provided to suppliers for quoting on a like-for-like basis.

2.1.6 Supplier selection for participation in tendering or negotiation.

Undertaking a Request for Information (RFI) during this phase of the procurement cycle facilitates acquiring insights into suppliers, including their size, capabilities, financial standing, strengths, and weaknesses. This preliminary assessment aids in determining whether suppliers should proceed to the tender process. Prioritizing performance criteria aligned with the business needs of key stakeholders is a valuable step before evaluating RFIs against selection criteria to determine which suppliers to invite for participation in the tender process.

2.1.7 Issue the ITT/RFQ

After choosing the companies to participate, formal Invitations to Tender (ITT) and Requests for Quotation (RFQ) are issued to them. These documents include specifications and documentation aligned with the business requirements, accompanied by clear response deadline

2.1.8 Evaluate and validate bids/tenders.

Upon receipt of tenders, it is imperative to evaluate and validate bids to identify the preferred supplier. Whether tendering contracts for goods or services, evaluation should adhere to structured, disciplined, and transparent procedures. Evaluations typically include price comparisons, technical capability assessments, capacity evaluations, service quality reviews, and financial health assessments. Additionally, post-tender negotiations may occur, alongside reference checks, credit assessments, supplier visits, technical audits, product sampling, or trials. Consideration should also be given to whole-life costs, encompassing decommissioning, removal, or disposal expenses

2.1.9 Award the contract and execute implementation.

After selecting the supplier, a contract is usually drafted to ensure both parties comprehend their obligations and key success criteria. This agreement serves as the cornerstone for effective contract and relationship management, with the terms and conditions aimed at minimizing contractual risks and exposure in business dealings. Once the contract terms are finalized, the communication and implementation process can commence, with clear timelines and parameters established by both parties. Relevant stakeholder groups are involved to ensure effective implementation.

2.1.10. Delivery of goods/service

Warehouse operations must be carefully planned, taking into account product coding, space utilization, layout design, racking arrangements, delivery frequency, order processing, booking procedures, and other relevant business needs to ensure efficiency.

2.1.11 Review contract performance and pursue continuous improvement.

Regularly review performance against Key Performance Indicators (KPIs) outlined in the contract, discussing relationship dynamics and resolving conflicts as they arise. This stage also involves planning for continuous improvement and scheduling the next review date.

2.1.12 SRM and SC

Supplier Relationship Management (SRM) is a crucial aspect of Supply Chain Management (SCM), involving the review of supplier portfolios and resource allocation to foster relationships aimed at achieving specific objectives. The amount of time devoted to SRM varies based on strategy, purchase type, contract duration, and market dynamics. SRM facilitates the establishment of conducive relationships for innovation and process streamlining. The overarching goal is to enhance efficiencies, thereby adding value and bolstering organizational profitability. A strong supplier relationship can be pivotal, potentially enabling a competitive edge in bringing new concepts to market or navigating challenging supply markets, ensuring continuity and mitigating risks.

2.1.13 Asset management and end-of-life considerations, including lessons learned from the end of a contract and the transition to a new supplier.

Periodic assessments will be conducted to determine if there have been changes in business requirements if the agreement remains necessary and suitable, and what lessons can be gleaned from the process to enhance future iterations. This iterative cycle repeats itself. Additionally, end-of-life costs should be calculated to account for decommissioning, removal, or disposal procedures.

2.2 Procurement Process at NRB Bank

Typically, the bank purchases items necessary for daily operations and branch network expansion. These include IT supplies (software & hardware), printing materials (brochures, account opening forms, etc.), stationery, infrastructure development materials (interior decoration, furniture, electromechanical), and branding materials (signboards, banners, etc.). NRB Bank operates a centralized procurement department responsible for acquiring most of these necessities, operating under a board-approved procurement policy. The bank typically adheres to a conventional procurement process, which involves the following steps for acquiring any items.

2.2.1 Identify which goods and services the Bank needs and develop a specification

First, the Bank's business unit identifies its requirements for a specific item or a service. Suppose a business unit planning to expand the business i.e. establishment of a new branch, booth, back office, business hub/unit, or new product promotion. This may be a new item that the Bank hasn't previously purchased (purchasing asset management software), a restock of existing goods (stationary or printing items), or a subscription renewal (yearly renewal of core banking or ERP software license). This step typically involves delving into the nitty-gritty details of what the business needs, such as the precise technical specifications, materials, part numbers, or service characteristics. At this stage, it's a good idea to consult all business departments affected by the purchasing decision to ensure the procured items accurately reflect the needs of each department. Suppose for IT (hardware and software) procurement, specification is prepared by consulting with an expert in the IT department, for new branch establishment, the number of seats, service area, decoration material's quality, budget, and above all specification is prepared with help of business personnel.

2.2.2. Submit purchase request

When an employee, department, or business group needs to procure a significant quantity of new supplies or services, they make a formal purchase request (also known as a purchase requisition). A purchase request notifies the bank that a need exists, usually via department/branch managers, head, purchasing staff, or the financial team, as well as specifications such as price, time frame needed, quantity, and other important things for the purchasing team to keep in mind. The department overseeing the purchase can then approve or deny the purchase request. If approved, the procurement team can proceed with selecting a vendor and making the purchase

2.2.3 Bid/tender evaluation, assess and select vendors

With a detailed list of requirements and an authorized purchase request, the subsequent stage involves selecting the most appropriate vendor and sending out a request for a quote (RFQ) This document is dispatched to potential suppliers of the Bank's enlisted panel vendor to solicit their pricing proposals. As per the Bank's procurement policy, if the estimated cost is above Tk. 1,00,00,000 (Taka One Crore) then the open tendering method will be applied. In that case, the Advertisement of invitation for tender (IFT) shall be published in a widely circulated Bangla/English National newspaper or Website of NRB Bank or any other mass media. It's crucial to provide detailed specifications to ensure an accurate comparison of quotes. When evaluating vendors, banks always consider factors beyond just cost, including their reputation, delivery speed, product quality, and reliability. When tendering contracts for the provision of goods or services, it's essential to conduct tender evaluation with a structured, disciplined, and transparent approach. Evaluations

typically involve comparing prices alongside considerations of technical capability, capacity, service quality, and financial stability. Following this stage, post-tender negotiations often occur, alongside activities such as reference checks, credit assessments, supplier visits, technical audits, product sampling, or trials. It's important to factor in whole-life costs, including decommissioning, removal, or disposal expenses.

Tender procedure of NRB Bank:

Who	Step	
FMD (Fasciitis Management Division) (all the procurement members work under FMD)	1	Interview/screen all potential Tender bidders, where applicable.
	1.1	<i>Potential Tender bidders could be from approved panels or new potential suppliers.</i>
	2	Dispatch letter of invitation for Tender through hard copy or any other means.
	2.1	Issuance of letter of invitation for Tender to identify potential suppliers. Vendors may invited based on their earlier performance with the Bank. It will not be mandatory to invite all enlisted vendors for the submission of quotations.
	3	Tender Documents
	3.1	<p><i>The Tender document should at least cover the following:</i></p> <p><i>a) Details of services or products;</i></p> <p><i>i) Specifications.</i></p> <p><i>ii) Delivery requirements.</i></p> <p><i>iii) Pricing and payments details and schedule (mentioning VAT, IT & Other Charges)</i></p> <p><i>b) Tender form submission procedures.</i></p>

		<p>c) <i>Closing date.</i></p> <p>d) <i>Time and date for Opening tenders.</i></p>
	3.2	<i>Tender document must be received in sealed envelopes and placed into sealed Tender Box.</i>
Concerned Department/ Division	4	Call for Purchase Committee (PURCO) Meeting, after Tender Closing Date, to open Tenders.
	4.1	<i>Before opening tenders, ensure all tender envelopes are sealed.</i>
PURCO (purchase committee)	5	Open Tender documents.
	6	Sign off records of Tenders received by members of PURCO.
	7	Evaluate and Shortlist the final bidders (at least 3 Lower bidders).
HOFMD/FMD	8	Perform bidders' site visits after short listing, (where applicable).
PURCO	9	Request short-listed bidders to conduct presentations, (if applicable).
	9.1	<i>Challenge the capability and express expected performance as presented and detailed in the tender document.</i>
	9.2	<i>Evaluate the final order of preference of the bidders.</i>
	10	Recommend short-listed bidders in order of preference for approval in accordance to the Delegation of Authority.
HOFMD	11	On approval of the finally selected bidder, arrange the issue of Purchase order/Work order.

Table 1: Tender procedure of NRB Bank

2.2.4 Negotiate price and terms

With a detailed list of requirements and an authorized purchase request, the subsequent stage involves selecting the most appropriate vendor and sending out a request for a quote (RFQ)

- **Direct negotiation:**

- This system may be adopted only in exceptional cases when the goods/services are urgently required and the time available with the Procuring Department does not permit to follow the tender process. This issue must be documented on the office note/memo placed before the senior management. Direct negotiation may also be resorted to where the price of an item is fixed either by customs or any other government authority or by the manufacturer.
- In case of proprietary item direct negotiation may be resorted to by obtaining a single quotation/tender/offer from the proprietor or his representative.

- **Negotiation when the accepted tenderer fails to supply:**

- The system of negotiation may also be adopted in case of goods/services where the lowest bidder is not able to supply or is not acceptable to the Bank for reasons relating to his ability of workmanship, inferior quality of products to be supplied etc. in such cases, negotiation may be made with the next lowest bidder and the issue must be documented.
- When more than one party quotes the lowest price for the same item then the Purchase Committee shall have the right to select the party having more reputation/ reliability and past track record including volume of business in the greater interest of the institution.
- Process of negotiation can also be adopted in cases where none of the bids/tenders are accepted due to technical or other grounds and where there is no time for re-tendering or when it is apprehended that re-tendering would not

attract a better bid. Negotiation may also be resorted to when it is desired to reduce the lowest tendered price. Negotiation shall be carried on by the purchasing department with approval of the MD & CEO.

2.2.5 Issue a purchase/ work order

Complete a purchase/work order (PO/WO) and dispatch it to the supplier. The PO/WO must contain comprehensive details to specify the precise services or goods required and facilitate the supplier in fulfilling the order with specified terms and conditions. The Terms and Conditions hereinafter may only be varied with the written agreement of the Purchaser and no terms and conditions put forward at any time by the Supplier shall form any part of the Contract.

- (a) the supply of the goods or works shall be completed within the specified date as mentioned in the Purchase/Work Order or the contract (if applicable);
- (b) on completion of the supply of the goods/services, the supplier shall submit an original Invoice to the bank;
- (c) the bank by written notice sent to the supplier, terminate the Purchase/Work Order (or Contract if applicable) in whole or in part at any time for its convenience:
 - (i) if the supplier fails to deliver any or all the goods within the time period(s) specified in the Purchase/Work Order, or
 - (ii) if the supplier fails to perform any other obligation(s) under the Purchase/Work Order, or
 - (iii) if the supplier, in either of the above circumstances does not cure its failure within a reasonable period of at least (3) three calendar days but not more than 15 days (unless otherwise relaxed by the MD & CEO)

- after receipt of a notice of default from the bank specifying the nature of the default(s), or
- (iv) if the supplier, in the judgment of the bank, has engaged in any corrupt or fraudulent practices in competing for or in executing the tasks under this Purchase/Work Order; and
- (d) The supplier shall provide the warranty, as stipulated in the Quotation document, for the goods to be supplied and confirm that if any faults are detected within the warranty period in the supplied/installed goods, the supplier shall be bound to rectify the fault or replace the goods as the case may be.

2.2.6 Receive and inspect the delivered goods/service

Upon reaching this stage, the vendor will deliver the goods/services within the agreed timeframe. Upon receipt, the user end/bank's authority will scrutinize the order and inform the vendor of any discrepancies with the received items/service. Conduct a meticulous inspection of deliveries to detect any errors or damage. Verify that all items adhere to the specifications detailed in the PO/WO and ensure that the quality meets or exceeds expectations..

2.2.7 Conduct three-way matching

The accounts payable process includes three-way matching performed by the Bank's pre-audit teams within the Finance and Accounting department. This involves comparing the purchase order, receipt of the order, and invoice. The aim is to ensure that the received goods or services match the details specified in the purchase order, thereby preventing payment for

unauthorized or incorrect invoices. Any discrepancies among the three documents are identified and resolved before initiating payment procedures.

2.2.8 Approve the invoice and arrange payment.

During this phase, designated approvers will meticulously review all documentation and authorize payment by signing off on the invoice. Subsequently, the invoice is forwarded to the payment processing department for further action. Following process maintain for payment.

Who	Step	
HOFMD	1	Upon receiving the approval of the selected supplier, issue a Purchase Order and send a signed PO to the supplier.
	1.1	Annotate invoicing instructions in PO, i.e. invoice to be submitted to Head Office together with the PO along with Invoice/ Delivery Challan duly signed by the recipient.
HOD/BM	2	Receive and check goods or services purchased against PO.
BM/ HOD	3	Sign the invoice/delivery challan as “ACKNOWLEDGED” if delivery is in order.
	3.1	The recipient departments/branches must ensure goods delivered are as per PO and in good working condition and acknowledge receipt on Delivery Challan (DC) by signing and apply rubber stamp with date annotated.
FMD	4	Receive original Bill from supplier, enclose relevant documents, prepare payment note and forward to Finance & Accounts for

		payment.
Finance & Accounts	5	Receive the Original Bill along with other relevant documents and process the bill for payment.
FMD	6	Follow up with the Finance Division (FD) in the event the supplier claims non-receipt of payment.
Department/Division/Branch/FMD & Finance	7	If the original bill is lost/accidentally misplaced a certification copy may be obtained from the related vendor marked as 'DUPLICATE' mentioning reference no and date of the original invoice. Assuming that the bill was not paid earlier, the bill may be processed with prior cross-checking for duplication by relevant Department/Division/Branch/FMD & Finance.
Branch/Relevant Department/Division/FMD/Finance	8	In case of expenses pre-approved by the Competent Authority, the Branch will make payments on their end upon prior communication with Finance & Accounts. In case of any expense exceeding the threshold limit, the Branch will send the bill along with the prescribed format for approval through the proper channel.

Table 2: Payment Process of NRB Bank

2.2.9 Keep Records

It is essential to maintain thorough documentation throughout the procurement process, covering purchase requests, price negotiations, invoices, receipts, and all relevant documentation. These records serve multiple functions, including facilitating future

reordering of goods at favorable prices, streamlining auditing processes, and aiding in tax calculations. Moreover, clear and accurate records are instrumental in resolving any disputes that may arise.

2.2.10 Asset Management

In order to ensure optimal utilization of its assets in a prudent and efficient manner, as well as to promote accountability in the use of its assets it is important for the NRB Bank to develop a policy to guide the management of its fixed assets. This policy defines the guidelines, regulations and procedures governing the control and reporting of fixed assets. This includes tracking the cost of the assets, how they are maintained, the depreciation levels and their disposal

The objectives of asset management are to:

- a) Establish procedures for recording and capitalization of fixed assets
- b) Establish methods of depreciation and amortization of fixed assets
- c) Establish procedures for write-off and disposal of fixed assets

2.3 Difference between CIPS procurement and conventional procurement of NRB Bank

The Chartered Institute of Procurement & Supply (CIPS) procurement approach differs from traditional procurement methods in several key aspects. Here's how they may differ in the context of NRB Bank:

Strategic Focus: CIPS procurement emphasizes a strategic approach to procurement, viewing it as a core function that contributes to achieving organizational objectives. This includes aligning procurement activities with overall business goals and implementing strategic sourcing practices. Traditional procurement may focus more narrowly on transactional activities without always considering the broader strategic implications.

Supplier Relationship Management: CIPS procurement places a strong emphasis on building and managing supplier relationships for mutual benefit. This involves collaborating with suppliers to drive innovation, improve quality, and manage risks effectively. Traditional procurement may have a more transactional approach to supplier interactions, focusing primarily on negotiating contracts and monitoring performance.

Risk Management: CIPS procurement incorporates robust risk management practices to identify, assess, and mitigate risks throughout the procurement process. This includes evaluating supplier risk, market risk, and operational risk to ensure continuity of supply and minimize disruptions. Traditional procurement may address risks reactively rather than proactively, potentially leading to increased vulnerability to supply chain disruptions.

Ethical and Sustainable Practices: CIPS procurement promotes ethical and sustainable procurement practices, such as fair labor practices, environmental sustainability, and corporate social responsibility. This involves considering the social, environmental, and ethical impacts of procurement decisions and engaging with suppliers who uphold these principles. Traditional procurement may not always prioritize these considerations, leading to potential reputational and operational risks.

Technology and Innovation: CIPS procurement leverages technology and innovation to streamline processes, enhance transparency, and drive efficiency. This may include implementing e-procurement systems, utilizing data analytics for decision-making, and exploring emerging technologies such as blockchain and AI. Traditional procurement methods may rely more on manual processes and may be slower to adopt new technologies.

Continuous Improvement: CIPS procurement emphasizes continuous improvement and learning, encouraging procurement professionals to stay updated on industry best practices, market trends, and regulatory changes. This involves investing in training and development

opportunities for procurement staff and fostering a culture of innovation and adaptability. Traditional procurement may be more resistant to change and less focused on ongoing professional development.

Overall, while traditional procurement methods may still have relevance in certain contexts, adopting a CIPS procurement approach can provide NRB Bank with a competitive advantage by enabling more strategic, sustainable, and value-driven procurement practices.

Chapter 3

Supplier Evaluation

3.1 Preface

In the realm of procurement, supplier evaluation entails a structured assessment of suppliers to gauge their performance across various parameters and ascertain their suitability to meet organizational requirements. The primary aim is to cultivate a high-caliber portfolio of suppliers that minimizes risks. Supplier evaluation is an ongoing endeavor within procurement departments and serves as a pivotal pre-qualification step in the purchasing process. Put simply, it involves determining whether a supplier aligns with the business's needs. Furthermore, it entails examining the current supplier base to assess their performance and pinpoint opportunities for cost reduction, risk mitigation, and continuous improvements. Efficient supplier evaluation is a thorough process that begins by aligning objectives, data, and analysis with suppliers transparently and fairly.

In business, the terms "supplier evaluation" and "supplier appraisal" denote the systematic process of assessing and approving potential suppliers through quantitative analysis. This process is geared towards establishing a roster of top-tier suppliers, ensuring their readiness for engagement. It serves as a valuable tool in the supplier selection phase of an auction, facilitating the identification of optimal suppliers. Moreover, supplier evaluation extends beyond initial selection to encompass ongoing assessment of existing suppliers. This ongoing evaluation serves multiple purposes, including verifying contract adherence, cost reduction, risk mitigation, and fostering continuous improvement.

3.2 Importance of supplier evaluation

Undoubtedly, the paramount objective of every procurement entity is to optimize the utilization of limited resources. Supplier evaluation thus becomes crucial to secure the most advantageous contracts in terms of quality, costs, flexibility, and reliability.

While the supplier assessment process may present challenges, the benefits of identifying low-risk sources offering high-quality goods and services, and fostering mutually beneficial, long-term business relationships far outweigh the efforts required.

Supplier evaluation offers numerous advantages, including:

- **Risk Mitigation:** Comprehensive supplier assessment helps mitigate regulatory, contractual, and security risks associated with external partnerships.
- **Enhanced Supplier Performance:** Evaluating suppliers drives enhancements in supplier operations, promoting efficiency and innovation. This contributes to improved overall procurement process performance.
- **Cost Reduction:** Effective supplier evaluation directly influences the quality and cost of purchased products, resulting in significant cost savings and enhanced product quality for organizations.
- **Leveraged Supply Base:** Assessing supplier performance enables organizations to establish standards, align goals, and plan actions according to suppliers' capabilities, leading to superior outcomes.
- **Strengthened Supplier Relationships:** Efficient supplier management fosters communication, collaboration, and loyalty, establishing the foundation for mutually beneficial relationships.
- **Improved Business Outcomes:** Collaborating with top-performing suppliers allows organizations to deliver higher-quality, competitively priced goods or services, enhancing customer satisfaction, loyalty, and driving sales growth.

Quality criteria play a pivotal role in supplier evaluation, incentivizing suppliers to continually enhance efficiency and innovation. The success of a purchasing organization hinges on the performance alignment between buyers and suppliers, ensuring mutual understanding of satisfactory quality standards.

3.3 Evaluation Process

Supplier evaluation and onboarding constitute ongoing processes within procurement departments, integral to the pre-qualification phase of procurement. However, in numerous organizations, these processes entail collaboration with other departments and stakeholders. Typically, experts or firms adept at gathering supplier evaluation data employ structured five-step methodologies for decision-making. These approaches frequently incorporate questionnaires, interviews, and occasional site visits to thoroughly evaluate different aspects of the supplier's operations, encompassing capacity, financial stability, quality assurance procedures, organizational framework, processes, and past performance. Utilizing the insights obtained from the assessment, suppliers are assessed and either approved or declined for the procurement of materials or services. Numerous organizations uphold an "approved supplier list" (ASL.), where approved suppliers are enlisted. Rejected suppliers typically remain inaccessible to the assessing company's procurement team. Upon approval, suppliers may undergo periodic, usually annual, reevaluation. This ongoing process is termed supplier performance management.

Supplier evaluation is a crucial process for businesses to ensure that they are working with reliable and efficient suppliers. Pre-evaluation and post-evaluation are two key stages in this process:

❖ Pre-evaluation:

- **Identification of Requirements:** This stage involves identifying the specific requirements and criteria that are important for selecting a supplier. This may include factors such as quality standards, pricing, delivery times, reliability, and compliance with regulations.
- **Supplier Selection Criteria:** Establishing clear criteria for evaluating potential suppliers is essential. These criteria may vary depending on the industry and the specific needs of the business. Common criteria include financial stability, production capacity, technological capabilities, reputation, and previous performance.
- **Supplier Screening:** Once the criteria are established, the next step is to screen potential suppliers based on these criteria. This may involve researching potential suppliers, reviewing their qualifications, conducting background checks, and seeking references from other clients.
- **Request for Proposal (RFP) or Quotation (RFQ):** Sending out RFPs or RFQs to selected suppliers to gather detailed information about their products, services, pricing, and terms and conditions. This allows the business to compare proposals from different suppliers and select **the most suitable ones for further evaluation.**
- ❖ **Post-evaluation:**
 - **Performance Monitoring:** After selecting and engaging with suppliers, it's important to continuously monitor their performance to ensure they are meeting expectations. This involves tracking key performance indicators (KPIs) such as delivery times, product quality, customer service, and adherence to contractual agreements.
 - **Feedback and Communication:** Regular communication with suppliers is essential for maintaining a strong relationship and addressing any issues that may arise. Providing feedback on their performance allows suppliers to make necessary improvements and helps to strengthen the partnership.

- **Supplier Scorecard:**

A supplier scorecard is a tool utilized to assess and compare the performance of various suppliers using predetermined metrics. This can help identify areas of improvement and make informed decisions about whether to continue working with certain suppliers.

- **Renegotiation or Termination:** Depending on the results of the post-evaluation, businesses may choose to renegotiate contracts with suppliers to improve terms or address performance issues. In some cases, it may be necessary to terminate contracts with underperforming suppliers and find alternative options.

By following a structured pre-evaluation and post-evaluation process, businesses can effectively assess and manage their relationships with suppliers to ensure they are meeting their needs and contributing to their success.

3.4 Evaluation Criteria

Supplier assessment poses a multifaceted challenge that encompasses qualitative and quantitative aspects. Merely establishing standard selection criteria and uniformly applying them is inadequate. Hence, supplier evaluation criteria should be customized to align with the company's mission, vision, and business goals. This involves taking into account variables such as quality, cost, financial stability, corporate social responsibility, communication, and cultural compatibility.

Furthermore, vendor assessment necessitates a review of criteria prioritized by the organization. For instance, in the healthcare sector, data security and compliance guidelines take precedence over other factors.

However, companies often encounter conflicting tangible and intangible elements, complicating decision-making. To address this, it's crucial to involve all relevant

stakeholders, including procurement, engineering, logistics, and production, in the supplier selection process. Collaborative involvement ensures consensus on selection criteria, allowing for appropriate weighting based on overall importance, business priorities, and strategy.

The ability to establish suitable supplier evaluation criteria directly impacts an organization's procurement performance. While common criteria such as materials delivery, quality, cost, financial position, communication, and technology are frequently used, the importance of other criteria may vary depending on the specific process.

Below are various criteria organizations may utilize to assess potential suppliers:

- ❖ **Quality:** Quality is characterized by the extent to which customer specifications and expectations are fulfilled.. It involves setting standards, assessment, control, and assurance. External assessments, like ISO-9000/9001 standards, help ensure quality management.
- ❖ **Price/Cost:** Evaluation encompasses present and future cost considerations, cost minimization, ongoing enhancements, and overall expenditure, which includes procurement, inventory, and disposal expenses
- ❖ **Performance Delivery:**
Evaluating the assurance of receiving the correct product at the designated time and quantity entails assessing order reception, production scheduling, and delivery procedures
- ❖ **Service:** Evaluation involves subjective judgments on assistance quality, supplier attitude, response time, and support staff qualifications.

❖ **Financial Strength:**

Examining a supplier's financial status to verify their capability to invest in resources, meet obligations, and sustain supply stability.

❖ **Lead-Time:** Reliability criterion measuring the time from order placement to delivery.

❖ **Technical Ability:** Determining a supplier's technical advancement and adaptability to follow developments.

❖ **Flexibility:** Evaluating a supplier's capacity to adapt volumes and delivery schedules based on client requirements.

❖ **Development:** Considering innovation and improvement efforts to enhance products and reduce costs.

❖ **Management Approach:** Crucial for long-term relationships, involving goal alignment, metrics discussion, and joint cost-saving and product development efforts.

❖ **Geographic Location:** Importance lies in proximity to reduce transport, logistics, and currency-related fluctuations.

❖ **Environmental Regulation Compliance:** Evaluating a supplier's sustainability compliance is increasingly vital for supply chain alliances.

By aligning these criteria with organizational objectives and stakeholder input, companies can effectively evaluate suppliers and optimize procurement performance.

3.5 Evaluation checklist

Supplier evaluation is an ongoing process critical for maintaining customer satisfaction and prioritizing organizational objectives. Here are the steps to ensure best practices while assessing suppliers:

- ✦ **Conduct Regular Evaluations:** Regularly assess supplier performance to identify areas for improvement and ensure alignment with organizational goals.
- ✦ **Establish Evaluation Criteria:** Define clear criteria, standards, processes, and procedures for supplier evaluation to maintain consistency and fairness.
- ✦ **Create Assessment Forms:** Develop standardized assessment forms to streamline the evaluation process and facilitate better, faster, and more strategic decision-making.
- ✦ **Select and Classify Suppliers:** Categorize suppliers based on assessment goals to prioritize strategic partnerships and allocate resources effectively.
- ✦ **Utilize Data:** Leverage data to inform supplier discussions and support decision-making. Maintain open communication, especially with strategic suppliers.
- ✦ **Leverage Technology:** Make use of technology to effectively manage and analyze supplier data, optimizing the evaluation process and enhancing decision-making capabilities.
- ✦ **Organize Regular Conversations:** Engage in regular dialogues with suppliers to collaboratively address areas needing improvement and plan for future enhancements.
- ✦ **Re-evaluate Performance:** Periodically reassess supplier performance against established criteria to ensure continued alignment with organizational needs and objectives.
- ✦ **Repeat the Process:** Continuously iterate through the evaluation process, incorporating feedback, adjusting criteria as needed, and striving for continuous improvement.

3.6 Supplier Evaluation Process at NRB Bank

Supplier evaluation stands as a continuous effort within procurement departments, playing a pivotal role as an initial step in pre-qualifying suppliers during the purchasing process. Top of Form. Supplier evaluation is vital for businesses to secure reliable and efficient suppliers.

NRB Bank comprises two essential stages for supplier evaluation: pre-evaluation and post-evaluation.

Pre-evaluation

During the pre-evaluation phase, suppliers are categorized based on specific criteria, and all procurement activities are conducted exclusively with enlisted suppliers. The criteria for supplier enlistment may vary depending on factors such as industry dynamics, organizational needs, and the nature of goods or services sought. Nevertheless, NRB Bank adheres to certain enlistment criteria as outlined below.

Legal Compliance: Suppliers are required to possess all necessary legal documentation, including TAX and VAT registration, as well as licenses. Moreover, they must adhere to all pertinent laws and regulations concerning labor, environmental practices, and product safety.

Financial Stability: Suppliers should demonstrate financial stability and reliability to ensure they can fulfill their obligations over the contract term. This may involve providing financial statements, credit reports, or other financial documentation.

Quality Standards: To ensure suppliers meet required quality standards for their products or services, they may need to furnish certifications obtained from other banks or similar industries. Typically, this process involves visiting the vendor's most recently completed project to assess their performance firsthand.

Capacity and Capability: When evaluating suppliers, it's essential to ensure they possess the capacity and capability to fulfill the organization's requirements regarding production capacity, technical expertise, and resources. This assessment includes considering factors such as the availability of both technical and non-technical human resources, the size of the company, and its location. Additionally, reviewing the scale of completed projects and their corresponding work orders provides valuable insights into the supplier's capabilities.

Reputation and Track Record: When selecting suppliers, it's crucial to prioritize those with a stellar reputation and a proven track record of consistently delivering top-notch products or services within specified timelines and budgets. To assess this, we typically request work completion certificates and experience letters from analogous banking industries as references.

Ethical Standards: Suppliers should adhere to ethical business practices, including honesty, integrity, and transparency in their dealings.

Risk Management: Suppliers should have processes in place to identify and mitigate potential risks, such as supply chain disruptions, quality issues,

Cost Competitiveness: Suppliers should offer competitive pricing without compromising on quality or service levels. This may involve conducting price comparisons or negotiating favorable terms.

Communication and Responsiveness: Suppliers should be responsive to inquiries, communicate effectively, and be willing to collaborate with the organization to address any issues that arise.

These criteria may be further tailored to suit the specific needs and priorities of the organization and may evolve in response to changing market conditions, regulatory requirements, or strategic objectives.

Post Evaluation:

Following the initial evaluation, NRB Bank implements post-evaluation criteria to assess the ongoing performance of its suppliers. These criteria typically include:

Quality of Products/Services: Continuously monitoring the quality of products or services provided by the supplier to ensure they meet the bank's standards and requirements.

Timeliness: Assessing the supplier's capability to meet agreed-upon timelines and deadlines for product or service delivery, minimizing delays and disruptions.

Cost Management: Assessing the supplier's adherence to budgetary constraints and cost-effectiveness in providing products or services.

Communication and Responsiveness: Monitoring the supplier's communication practices and responsiveness to inquiries, concerns, and feedback from the bank.

Compliance and Legal Obligations: Ensuring ongoing compliance with all relevant laws, regulations, and contractual obligations, including tax and licensing requirements.

Customer Service: Evaluating the supplier's level of customer service and support provided to the bank, including handling complaints and addressing issues promptly.

Innovation and Continuous Improvement: Encouraging and assessing the supplier's efforts in introducing innovative solutions and continuously improving their products or services.

Risk Management: Identifying and mitigating any potential risks associated with the supplier's performance, such as supply chain disruptions or quality control issues.

Relationship Management: Maintaining a positive and collaborative relationship with the supplier, fostering open communication and mutual trust.

Feedback and Performance Reviews: Conducting regular feedback sessions and performance reviews with the supplier to discuss strengths, areas for improvement, and any necessary corrective actions.

The following type of measures is usually used for rating the supplier's performance.

- Binary measures
 - Yes/no, pass/fail
- Numerical measures
 - Number of accurate orders as a % of the total number of orders

- Qualitative or subjective measure
 - Poor, good, very good, excellent
- Delivery Compline
 - Delivery in full
 - Delivery on time
 - Average lead time
- Product/service quality
 - Product/Service compliance
 - User satisfaction
 - Technical support
 - Repair lead time

By consistently evaluating suppliers based on these criteria, NRB Bank aims to ensure ongoing excellence in its supply chain management and optimize the value delivered by its suppliers.

4. Conclusion:(Enhancing Procurement and Supplier Management at NRB Bank Ltd)

This report provides valuable insights into the procurement process and supplier evaluation system within NRB Bank Ltd. Here are the main takeaways:

1. Procurement Process:

- The report emphasizes the importance of a well-structured procurement process. Clear steps, from requisition to contract management, ensure efficiency.
- Challenges such as delays and communication gaps need attention. Streamlining procedures is crucial.

2. Supplier Evaluation:

- Evaluating suppliers based on predefined criteria (quality, cost-effectiveness, reliability) is essential.
- The existing evaluation framework should be enhanced. Key performance indicators (KPIs) play a vital role.

3. Recommendations:

- Strengthen communication channels between procurement teams and other departments.
- Implement a centralized procurement system for consistency.
- Regular training for staff ensures adherence to best practices.
- Conduct periodic supplier audits.
- Encourage sustainable and socially responsible sourcing.

4. Conclusion:

- Efficient procurement and supplier management contribute to cost savings and risk mitigation.
- Collaboration across departments is key.

In summary, NRB Bank Ltd. can enhance its operations by implementing the report's recommendations. A well-functioning procurement system ensures success and growth

References

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