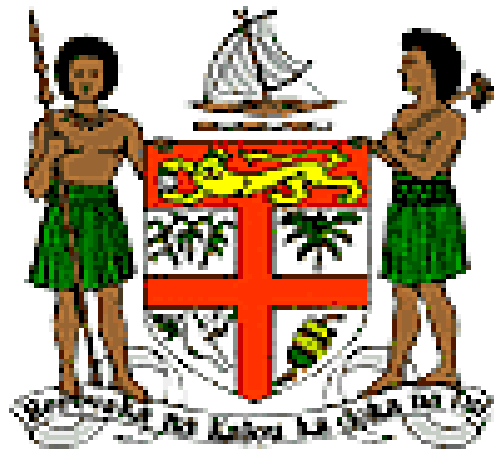


MINISTRY OF FINANCE

GUIDE TO OVERSEAS PROCUREMENT AND LOGISTICS



**Fiji Procurement Office
Ministry of Finance
Ro Lalabalavu House
Suva**

2012

Preface

The Fiji Government has adopted a new procurement policy framework that is established by the Procurement Regulations 2010.

A major portion of procurement budgets is spent on procuring goods and services from overseas by various Government agencies. The process of sourcing goods and services from overseas has its costs and benefits and processes must be adhered with carefully in order to minimize any associated risks.

Fiji Procurement Office - Logistics unit has an essential duty of clearing the right items, which can include dry cargoes, cooler cargoes and dangerous goods, at the right time at the right place.

The aim is to achieve the best value of money for items sourced from overseas; therefore the logistics unit has to have a clear communication with the respective agencies. Consequently to source the best product at the budgeted price, the agencies have to plan well and correspond with the logistics unit so that the best value for money of the procurement is achieved in the most efficient and effective manner.

This guide provides best practice for agencies and the Logistics Unit for the entire process.

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1.0 Introduction

- 1.1 "Logistics management is that part of supply chain management that plans, implements, and controls the efficient, effective forward and reverse flow and storage of goods, services and related information between the point of origin and the point of consumption in order to meet customers' requirements." [Source: *Council of Supply Chain Management Professionals (CSCMP)*]
- 1.2 There are various differences between procuring locally and trading with overseas suppliers. Typically, these include language differences, new payment methods and increased paperwork requirements.
- 1.3 However, with research and proper planning these challenges are easily overcome. Purchasing from the international market can be advantageous in many ways especially in terms of quality & savings. Normally specialized items that are not available locally such as medicine, supplies for works, are bought from overseas markets.

2.0 Scope

- 2.1 These guidelines apply to all officers involved in or partly involved in the procurement function within government agencies.

3.0 Purpose

- 3.1 While these guidelines serve as a procedural guide to the entire process of logistics management, it also emphasizes the subject of overseas procurement. By adhering to the procedures of this guideline clear communication is expected between an agency and the Fiji Procurement Office [FPO], Logistics Unit.

4.0 Legislative Requirements

- 4.1 Regulation 5(1) (iii) of the Procurement Regulations 2010 sets the legislative requirements of the Logistics Unit. The Logistics Unit is to provide logistical support for the administration and distribution of goods required by the Government.
- 4.2 This guide must be read together with the Terms & Conditions of Tender Policy - Supply & Purchase of Pharmaceutical Items.
- 4.3 The following describes the diversity of support, however is not limited to:
- Administrative Support:*
- Clearance
 - Documentation of indent related procurement
- Distribution*
- Warehousing
 - Transportation
 - Inventory Management

5.0 Overseas Purchases

5.1 Items are sourced from overseas for many reasons; some of them are as follows:

- Cheaper option at bulk purchases;
- Products and agents are not available locally; and
- The nature of the service is very complex for local companies to handle.

5.2 Agencies procuring goods and services from overseas need to work with FPO Logistics Unit very closely. Clear and constant communications must always be carried out to attain a smooth clearance process without any extra or avoidable charges or costs incurring.

5.3 For all overseas procurements the Logistics Unit of the FPO needs to be notified and provided with the original documents as soon as possible before the actual consignment arrives.

5.4 Original shipping documents consist of:

- Shippers Commercial Invoice
- Bill of Lading
- Packing List
- Import permit/Licence

6.0 The Challenges of Sourcing Overseas

6.1 Procuring from overseas suppliers differs from procuring locally. New challenges are raised by the distances involved, by variations between countries, and by rules that govern international trading.

6.2 Legal considerations

It is not safe to assume that the same rules will apply overseas as in Fiji.

6.3 Factors to consider include:

- whether there are import or export restrictions at either end of the transaction;
- whether technical standards in the supplier's country meet Fiji requirements;
- who is liable if a product causes harm or loss;
- whether imported goods infringe any intellectual property rights; and
- who bears insurance costs at each stage of transit.

6.4 In order to address these factors, a written contract will help avoid disagreements or disputes.

6.5 Other considerations

There is a range of other factors that should be borne:

- Language differences matter. It is not just a question of communication - any labelling or other printed materials must be error-free.
- Payment methods for international transactions are a bit more complicated

- Shipping procedures are also more complex, given the increased distances and the need to cross borders.
- Understanding the business and social practices of the supplier's country can help build trust and develop relationships.

7.0 Choosing an Overseas Supplier

- 7.1 As per the Procurement Regulations 2010, tenders are advertised in relevant trade journals circulating in other countries, or even advertised on a Government website or with the foreign embassies in Fiji.
- 7.2 Overseas suppliers can submit their interest, tender or proposals in the same manner as local bidders. The tenders can be sent by post or submitted through their embassies. Tender deposits should also be enclosed.
- 7.3 When evaluating overseas suppliers the total cost of items should be carefully calculated as it should include but not be restricted to:
- freight,
 - insurance,
 - duty,
 - clearance cost, transportation cost, Bank fees, etc.
- 7.4 However, the other factors should be the same when selecting an overseas supplier and a local one. Agencies need to get the right price and quality, while making sure the supplier can be relied upon to meet high standards consistently.
- 7.5 The reliability of any supplier is very crucial. While a competitive price is also important, quality or the level of service should never be compromised.
- 7.6 Value for money
Just as in any procurement, the procuring agency needs to be sure that it is happy with the price and quality the supplier is offering.
- 7.7 Samples
To be requested based on agencies specification to make sure the supplier is capable of producing what is needed.
- 7.8 Reliability
It is important to research supplier reliability, work and their production system.
- 7.9 As much information as possible needs to be found about the supplier. Enquiries can be made with:
- Any local references the supplier can give;
 - Local importers with experience in the market; and
 - Trade associations and other importers
- 7.10 The reliability of any sub-contractors to which the supplier may be outsourcing work should also be checked.

7.11 Creditworthiness

Financial checks of overseas suppliers can be difficult due to a lack of accessible financial information. Sometimes the local banks' international trade team can carry out a status query - a query into the company's financial standing on the Government's behalf.

Be cautious. Avoid advance payment or long-term contracts.

8.0 Communication

8.1 Communication is an obvious potential obstacle when dealing with overseas suppliers. Even simple actions such as routine telephone calls can be complicated by factors such as time differences and low-quality phone connections. Face-to-face meetings are likely to be infrequent, but they can be vital to the trust-building process - so these needs to be planned carefully.

9.0 Monitor, Review and Adapt

9.1 Monitoring key aspects of the new supplier relationship is very important. This will make it easy to identify areas for possible improvement.

9.2 Schedule progress reviews with the supplier. If there have been any problems, decide together how to resolve them.

10.0 Indent Preparation

10.1 An indent is raised for any overseas procurement irrespective of the value of the procurement. The indent will have the entire details of the goods or services procured. Through the indent the supplier will be notified that all the documents and correspondence should be sent to the Director of the Fiji Procurement Office.

10.2 The indent will be signed by the Head of Department and also by the officer who is responsible for ordering the items.

Approved By	Stamped By	Procurement Values
Permanent Secretary	Procuring department	\$50,000 and Less
Government Tender Board Secretary	Government Tender Board	\$50,001 and More

10.3 The correspondence address made available to any suppliers should be as below:

The Director

Fiji Procurement Office, P.O Box 2212, Government Buildings, Suva

E-mail address: - FPO_SHIPPING_SUVA@finance.gov.fj for Suva Office

FPO_Shipping_Lautoka@finance.gov.fj for Lautoka Office

10.4 This will enable all suppliers to directly correspond with the Logistics Unit of the Fiji Procurement Office for a more efficient clearing process of the goods.

10.5 Once the indent is prepared, the originals are sent to the Fiji Procurement Office, where the indent desk officer will vet the form, get it approved by the GTB secretary (\$50,001 and more) and disseminate it as follows:

- Original copy (Supplier)
- Accounts (Overseas payments)
- Logistics (Clearance Purposes)
- File copy (FPO)
- Department copy

11.0 Drawing up Contracts with Overseas Suppliers

11.1 Language difficulties, differences in business practices, communication problems due to geographical distance, are some of the reasons for confusion between the agency and an overseas supplier.

11.2 The best way to avoid any problem or being charged for fees that are unknown to the agency initially is to draw up a clear written contract. If any future disagreements or legal actions do arise, then it will be easier to resolve if the agency has a written contract rather than a verbal agreement.

11.3 The contract should make all aspects of the trading process as clear as possible - what will happen, when it will happen, and the responsibility of each party at each stage, costs, fees involved, method of payment, etc.

Before signing of any contracts agencies must submit all contracts to the Solicitor General's Office for vetting.

12.0 What to Include

12.1 Key things to cover in a contract with an overseas supplier include:

- (i) *Goods.* Specify what goods are being bought, noting any legal or technical rules with which they must comply.
- (ii) *Price.* How much is to be paid? Which currency? What is the exchange rate?
- (iii) *Payment method.* When and how will payment be made?
- (iv) *Delivery.* How will the goods be transported?
- (v) *Trading terms.* Use Inco terms to specify exactly who is responsible for shipping costs, duties, and customs-related formalities.
- (vi) *Insurance.* Be clear about who bears what risks - eg loss or damage - at each stage of the process.
- (vii) *Potential problems.* Include procedures that would be implemented if a dispute arises, eg if one party's error causes delays or losses for the other.

- (viii) *Service level agreement.* Define the level of service the supplier must provide.
- (ix) *Legal jurisdiction* of the contract. If there is a dispute, where would legal proceedings be heard?
- (x) *Warranty/Guarantee period.* How long will the item be covered under the warranty or guarantee period. What are the terms and conditions?

13.0 Terms and Conditions

- 13.1 The following are some of the Tender/Quotation Terms & Conditions that needs to be clearly defined; all these must be also clearly included in the indents.
1. Purchasing Mode: FOB / C&F / CIF.
 - FOB: Freight on Board or Free on Board meaning that the supplier has paid for the goods only while the freight is paid to the goods owners' Contracted Freight Forwarder; Not recommended!!!
 - C&F: Cost & Freight meaning the buyer is invoiced by the supplier for cost of goods and freight to agreed destination; Recommended
 - CIF: Cost, Insurance, Freight meaning the same as in C&F but where insurance is additional.
 2. Delivery Mode:
 - Air Freight
 - Sea Freight
 - Parcel Post.
 3. Port of Discharge:
 - Suva
 - Lautoka
 - Nadi.
- 13.2 All the above terms and conditions should be made well aware to the representatives of the evaluation team, person stamping the indent and also to the Logistics Unit.
- 13.3 Any error caused through negligence would cause the procuring agency unnecessary costs either through extra cost on bank fees, or supplier delivering only up to Nadi while the contract states delivery to Suva port.

14.0 Method of Payment & Payment Process

- 14.1 When considering the total cost of any overseas supplier, the payment method should be analyzed well as some payment methods are very costly. If the need arises, the method of payment must be negotiated with the suppliers.
- 14.2 Request for the mode of payment must be confirmed by the agency and the supplier if payment is sought before receipt of the items.
- 14.3 Ideally the Government of Fiji prefers that payment is made after goods have arrived and are received by agencies.
- 14.4 However requests can be made for other method of payments as detailed above:
- Advance payment – either through Telegraphic transfers or Bank drafts
 - Payment on receipt of goods – either through Telegraphic transfers or Bank drafts
 - Letter of credit – payment made via bank (BSP)
 - Sight drafts – payment made via bank (BSP)
- 14.5 The overseas payment section of the Fiji Procurement Office handles all payment processing for overseas suppliers.
- 14.6 The following are the details of the four main methods for paying overseas suppliers for the goods being procured from them:

15.0 Advance Payment.

- 15.1 The supplier only ships goods once payment has been received. In order to initiate advance payment a pro forma invoice is issued by the supplier.
- 15.2 *Express Release: It is mandatory that agencies who pay their suppliers in advance instruct them to express release their goods and must mark their Bill of Lading as expressed released.*

16.0 Internal Control on Pro forma Invoice.

- 16.1 *Pro forma* invoice for overseas procurement is a document that states a commitment from the supplier to provide specified goods to the buyer at specific prices. It is often used to declare value for customs. It is not a true invoice, because the supplier does not record it as an accounts receivable and agencies do not record it as an accounts payable. A *pro forma* invoice should not be issued by the supplier until the supplier and buyer have agreed to the terms of the indent. In few cases, *pro forma* invoices are issued for obtaining advance payments from agencies, either for start of production or for security of the goods produced.
- 16.2 The accounts officer handling the payment for suppliers who request advance payment by issuing Pro forma invoice should be careful not to make double payment. This situation can arise after the original invoice with a different amount appears. These would include extra charges e.g. freight, duty etc, together with the initial proforma invoice amount.

16.3 When issuing the Pro forma invoice, the suppliers should note on the invoice the percentage of advance payment needed and also the anticipated percentage of variance on the final invoice.

16.4 For every payment it is the agencies accounts officers' responsibility to have a separate costing sheet for all the payments made for that particular procurement.

Double payment would result in the accounts officer being disciplined and surcharged.

STEPS	DETAILS
1. Indent copy received	After the indent copy has been stamped and approved, out of the 5 copies made, 1 copy is forwarded to the Overseas Payment Section (Treasury)
2. Request for payment method sent by the agency as well as the supplier.	The supplier and the agency have to notify the Overseas Payment Section how they prefer to be paid apart from being paid after goods have been received. The agency can send in requests via email or as a memo while the suppliers can email or send a letter indicating their preferred method of payment. This however should match with the method of payment preferred in the bidding document.
3. Invoice sent to the Overseas Payment Section (either full or Proforma invoice)	The invoice would be either a full or pro forma invoice. The pro forma invoice should have the percentage of payment that needs to be paid out. The invoices should always match the indents, if for any reason the two do not match then before making any payment the agency and the suppliers should be contacted immediately to clarify the mismatch.
4. Rates are sought	The Overseas Payment Section will check all the banks for the best rate and use that rate for the payment.
5. Request for approval for advance payment from the Treasury department (MOF)	<p>Before any advance payment is made, approval needs to be taken from the Chief Accountant situated at the Treasury Section in MOF.</p> <p>Approval to Pay on pro forma invoice is also given by the Chief Accountant.</p>
6. Request for approval for payment	For any payment made under this method, approval needs to be given by the Chief Accountant based at the Treasury Section in MOF.

7. Payment Voucher prepared	<p>Three officers will be signing this document.</p> <ul style="list-style-type: none"> - Prepared by – officer preparing this document. - Checked by – Supervisor would be signing this document. - Approved by – Signed by the Agency Accountant. <p>Documents attached are:</p> <ul style="list-style-type: none"> - Invoice (Pro forma invoice) - Approval by the Chief Accountant - Indent copy.
8. Bank processes the payment	Bank would then process the payment and payment will be done either via Telegraphic transfer or Bank draft, whichever is specified by the agency and the supplier.
9. Suppliers acknowledge payment	Suppliers would send a note via email or letter and process and ship the goods.
10. Clearing documents sent to the Director Fiji Procurement office	The clearing documents are sent to the DFPO and forwarded to the Logistics Unit.
11. Final invoice & other documents	<p>The shipping clerk transfers the entire details from the invoice into the GS 39 form. This is sent to the Overseas Payment Section.</p> <p>The Logistics Shipping Section then sends all the supporting documents that need to be attached to the payment vouchers. This would include copies of:</p> <ol style="list-style-type: none"> 1) Bill of lading 2) Delivery documents 3) Packing list <p>The Overseas Payment Section then prepares the remaining payment for the suppliers.</p>

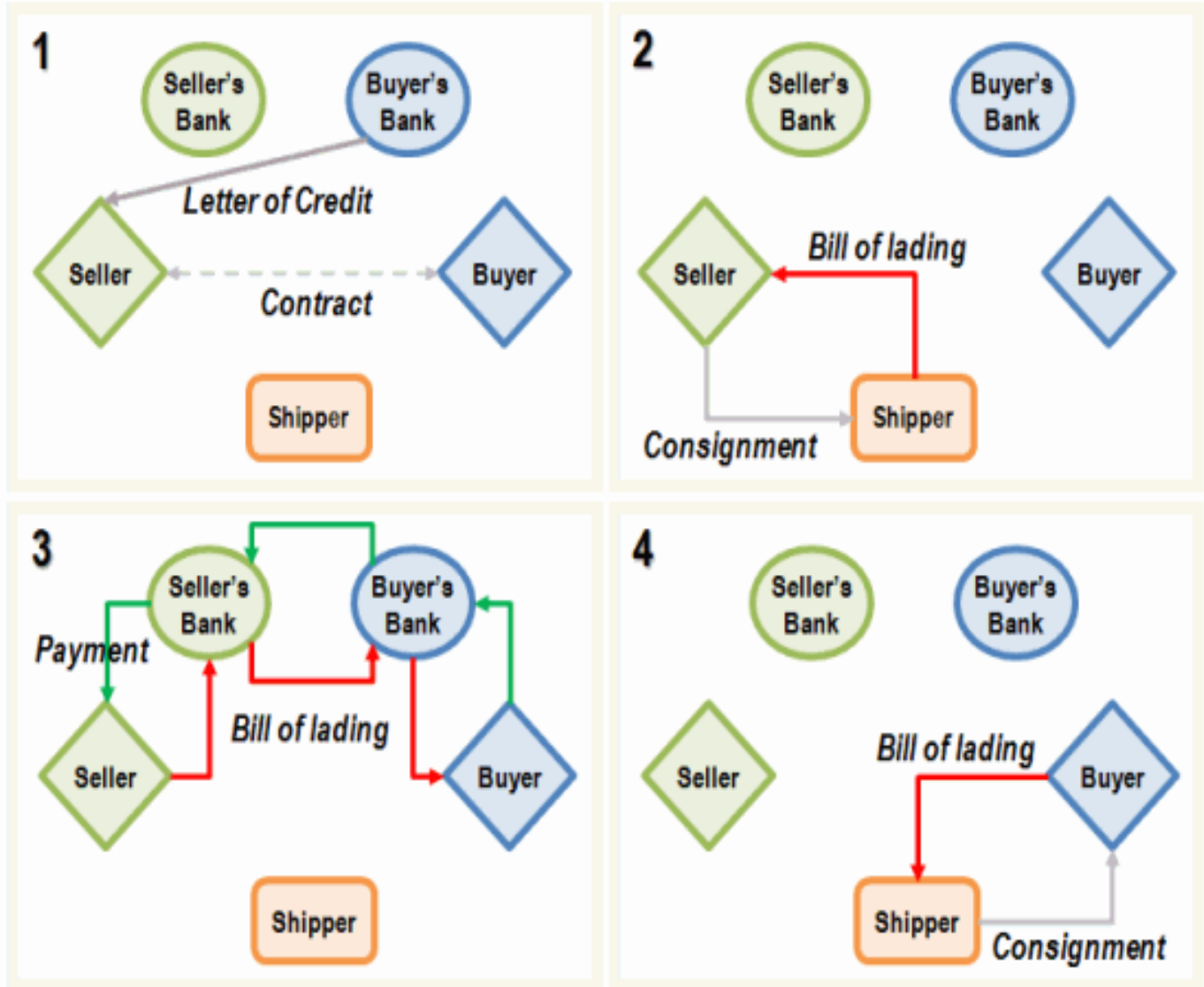
17.0 Payment on Receipt of Goods - Open account Trading

STEPS	DETAILS
1. Indent copy received	After the indent copy has been stamped and approved, out of the 5 copies made, 1 copy is forwarded to the Overseas Payment Section.
2. Invoice received.	<p>The clearing documents are sent to the DFPO and it is forwarded to the Logistics Unit.</p> <p>The shipping clerk transfers the entire details from the invoice into the GS 39 form. This is sent to the Overseas Payment Section.</p>
3. Good received	<p>After the goods are received the copy of the remaining documents will be sent to the Overseas Payment Section.</p> <p>This would include copies of:</p> <ul style="list-style-type: none"> - Bill of lading - Delivery documents - Packing list <p>The Overseas Payment Section then prepares the remaining payment for the suppliers.</p>
4. Rates are sought	The Overseas Payment Section will check all the banks for the best rate and use that rate for the payment.
5. Request for approval for payment of over \$100,000	For any payment made over \$100,000, approval needs to be given by the Chief Accountant based at the Treasury Section in MOF.
6. Payment Voucher prepared	<p>Three officers will be signing this document.</p> <ul style="list-style-type: none"> - Prepared by – officer preparing this document - Checked by – Supervisor would be signing this document - Approved by – Signed by the FPO Accountant. <p>Documents attached are:</p> <ul style="list-style-type: none"> - Invoice - Approval by the Chief Accountant - Indent copy.
7. Bank processes the payment	Bank would then process the payment and payment will be done either via Telegraphic transfer or Bank draft, whichever is specified by the agency and the supplier.
8. Suppliers acknowledge payment	Suppliers would send a note via email or letter and process and ship the goods.

18.0 Letters of Credit.

- 18.1 This is when the Government bank (BSP) guarantees to pay when presented with a set of specified export documents by the supplier - the bank guarantee increases the cost of this method. The normal charges of this method of payment are around 5-6% of the total transaction, depending on its value and complexity. While this method of payment reduces risk for both parties, agencies should carefully consider this payment, as the total cost of the procurement is increased by the exorbitant amount of fees being charged.
- 18.2 Typically the documents requested in a Letter of Credit are the following:
- * Suppliers Commercial invoice;
 - * Transport document such as a Bill of Lading or Airway bill;
 - * Insurance document; and
 - * Inspection Certificate;
- 18.3 Letters of credit (LC) deal in documents, not on the terms of sale or the physical condition of the goods. The LC could be 'irrevocable' or 'revocable'. An irrevocable LC cannot be changed unless both the agency and supplier agree. In a revocable LC changes can be made without the consent of the supplier.
- 18.4 A 'sight' LC means that payment is made immediately to the suppliers upon presentation of the correct documents in the required time frame. A 'time' or 'date' LC will specify when payment will be made at a future date and upon presentation of the required documents.
- 18.5 The letter of credit also contains an expiration date. Before payment, the bank responsible for making payment, verifies that all documents presented conform to the letter of credit requirements. If not, the discrepancy must be resolved before payment can be made and before the expiration date.
- 18.6 The agency or individual who prepares the letter of credit should have all accurate information. A change made to a letter of credit after it has been issued is called an amendment. Banks also charge fees for this service.
- 18.7 The information also gathered from suppliers should be accurate; in the terms of contracts agencies should address all these concerns as unnecessary expenses can be avoided by getting information as accurate as possible.
- 18.8 It should be specified in the contract whether the supplier or agency will pay for these charges. Every effort should be made to get the letter of credit right the first time since these changes can be time-consuming and expensive.

Diagrammatic Example of a Letter of Credit Transaction is shown below.



[Source: adapted from: http://en.wikipedia.org/wiki/Letter_of_credit

1. Contract signed by both parties that specifies price, quantity, time and place of delivery. Government agency contacts its bank to have a letter of credit issued with the supplier as recipient.
2. The supplier then provides the consignment to a shipper in exchange of a bill of lading promising that the consignment will be delivered at the agreed destination.
3. The supplier then presents bill of lading to its bank as an additional condition being meet to secure final payment. The bill of lading is then forwarded to the Government Agency's bank in exchange of payment and afterwards to the Government Agency so that the consignment can be claimed once delivered.
4. The Government Agency is finally able to provide the bill of lading to the shipper and claim the consignment.

STEPS	DETAILS
1. Indent copy received	After the indent copy has been stamped and approved, out of the 5 copies made, 1 copy is forwarded to the Overseas Payment Section.
2. Request for payment method sent by the agency as well as the supplier.	The supplier and the agency have to notify the Overseas Payment Section on the preferred method of payment apart from being paid after goods have been received. The agency can send in requests via email or a memo while the suppliers can email or send a letter indicating their preferred method of payment. This however should match with the method of payment preferred in the bidding document.
3. Supplier sends the check list with the requests for the LC payment.	The detail of the checklist is utilized by the accounts department to establish the letter of credit.
4. Invoice sent to the Overseas payment section (either full or Proforma invoice)	The invoice would be either a full or pro forma invoice. The pro forma invoice should have the percentage of payment that needs to be paid out. The invoices should always correspond with the indents, if for any reason the two do not match then before making any payment the agency and the suppliers should be contacted immediately to clarify the mismatch.
5. Establish letter of credit	<p>The Overseas Payment Section would then establish a letter of credit with the Bank of South Pacific (BSP).</p> <p>BSP then informs the suppliers' bank.</p> <p>NOTE: There are no rates sought for this payment method.</p>
6. Release of documents	<p>Once the suppliers' bank receives the LC and gets all the documents from the supplier, it forwards the documents over to the Bank of South Pacific (BSP).</p> <p>BSP then contacts the Overseas Payment Section and the Logistics Unit that the documents have been the received and forwards a bill.</p>
7. Request for approval for payment of over \$100,000	For any payments made over \$100,000, approval needs to be given by the Chief Accountant based at the Treasury Section in MOF.

<p>8. Payment Voucher prepared & Cheque paid to BSP</p>	<p>Three officers will be signing this document.</p> <ul style="list-style-type: none"> - Prepared by – officer preparing this document - Checked by – Supervisor would be signing this document - Approved by – Signed by the Agency Accountant <p>Documents attached are:</p> <ul style="list-style-type: none"> - Bank of South Pacific Bill - Suppliers Commercial invoice - Approval by the Chief Accountant - Indent copy. <p>Once the payments are received BSP then releases the documents to the Fiji Procurement Office for clearance purposes.</p>
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Late Documents: If for any unforeseen circumstances the documents are not cleared on time BSP can issue a letter of indemnity that can be shown to the shipping line for clearance purposes.

The Logistics Unit will surrender the Bill of Lading.

19.0 Sight Draft.

- 19.1 Sight drafts have some similarity with Letter of credit. Both parties deal with documents through banks, and the procuring government agency cannot take possession of the goods before the payment is made. However, the payment is not guaranteed by the bank as is the case when a letter of credit is issued.
- 19.2 That is, a sight draft is used when the supplier wishes to retain title to the shipment until it reaches its destination and payment is made.
- 19.3 It is important to note that air waybills of lading, on the other hand, do not need to be presented in order for the agency to claim the goods.
- 19.4 In actual practice, the bill of lading is endorsed by the suppliers and sent via the supplier's bank to the buyer's bank. It is accompanied by the sight draft, invoices, and other supporting documents (e.g., packing lists, commercial invoices, insurance certificates). The bank notifies the procuring agency when it has received these documents. As soon as the sight draft is paid, the bank turns over the bill of lading thereby enabling the agency to obtain the shipment.
- 19.5 It is important to note as stipulated earlier that there is no bank promise to pay standing behind the obligation.

STEPS	DETAILS
1. Indent copy received	After the indent copy has been stamped and approved, out of the 5 copies made, 1 copy is forwarded to the Overseas Payment Section
2. Request for payment method sent by the agency as well as the supplier.	The supplier and the agency have to notify the Overseas Payment Section how they prefer to be paid apart from being paid after goods have been received. The agency can send in requests via email or as a memo while the suppliers can email or send a letter indicating their preferred method of payment. This however should match with the method of payment preferred in the bidding document.
3. Advice of documents	BSP would advise FPO if they have received documents and send the bill for payment.
4. Checking of Manifest	Logistics Unit will check the manifest to officially “sight” the items arriving. If the items have been sighted then message will be sent to the Overseas Payment Section to process the payment.
5. Checking of Invoices	Accounts department checks invoices against the indents. Once the quantity and rate is found to correspond with the indents payments are processed. If there are any discrepancies, the Bill is returned to the Bank.
6. Request for approval for payment of over \$100,000.	For any payments made over \$100,000, approval needs to be given by the Chief Accountant based at the Treasury Section in MOF.
7. Payment Voucher prepared & Cheque paid to BSP	<p>Three officers will be signing this document.</p> <ul style="list-style-type: none"> - Prepared by – officer preparing this document - Checked by – Supervisor would be signing this document - Approved by – Signed by the Agency Accountant. <p>Documents attached are:</p> <ul style="list-style-type: none"> - Bank of South Pacific Bill - Suppliers Commercial invoice - Approval by the Chief accountant - Indent copy. <p>Once the payments are received BSP then releases the documents to the Fiji Procurement Office.</p>

20.0 Minimize Payment-Related Risks

- 20.1 For the procuring agency, the risk is high when advance payment are made- there is a chance an agency will pay but never receive the goods or receive goods that does not match the actual orders. Open account trading or when payment is made after receipt of goods is the least risky. Agencies must ensure in order to influence suppliers to agree in open account trading, payments must be made on time.
- 20.2 The suppliers perceive supplying before payment as risky so while procuring agencies might prefer open account trading, an overseas supplier may want advance payment. Letters of credit and Sight drafts offer some protection to both parties by involving their banks as intermediaries in the process.

21.0 Match Payments to Cash Flow Needs

- 21.1 Bear in mind that payment methods and terms are frequently a matter of negotiation. For example, the agency can offer a supplier a letter of credit in return for an extended 75-day payment period to match the cash flow requirements. The agency should always add on the cost factors that are involved in the different payment methods.

22.0 Customs Clearance

- 22.1 The Fiji Procurement Office is responsible for the customs clearance for all of government's consignments or indents via air or sea. A Logistics Unit has an essential duty of clearing the right items, which can include dry cargoes, cooler cargoes and dangerous goods, at the right time at the right place.

22.1.1 Clearance of Indented Items

The FPO Logistics Unit receives the information from local shipping agents, suppliers or agencies to clear the goods.

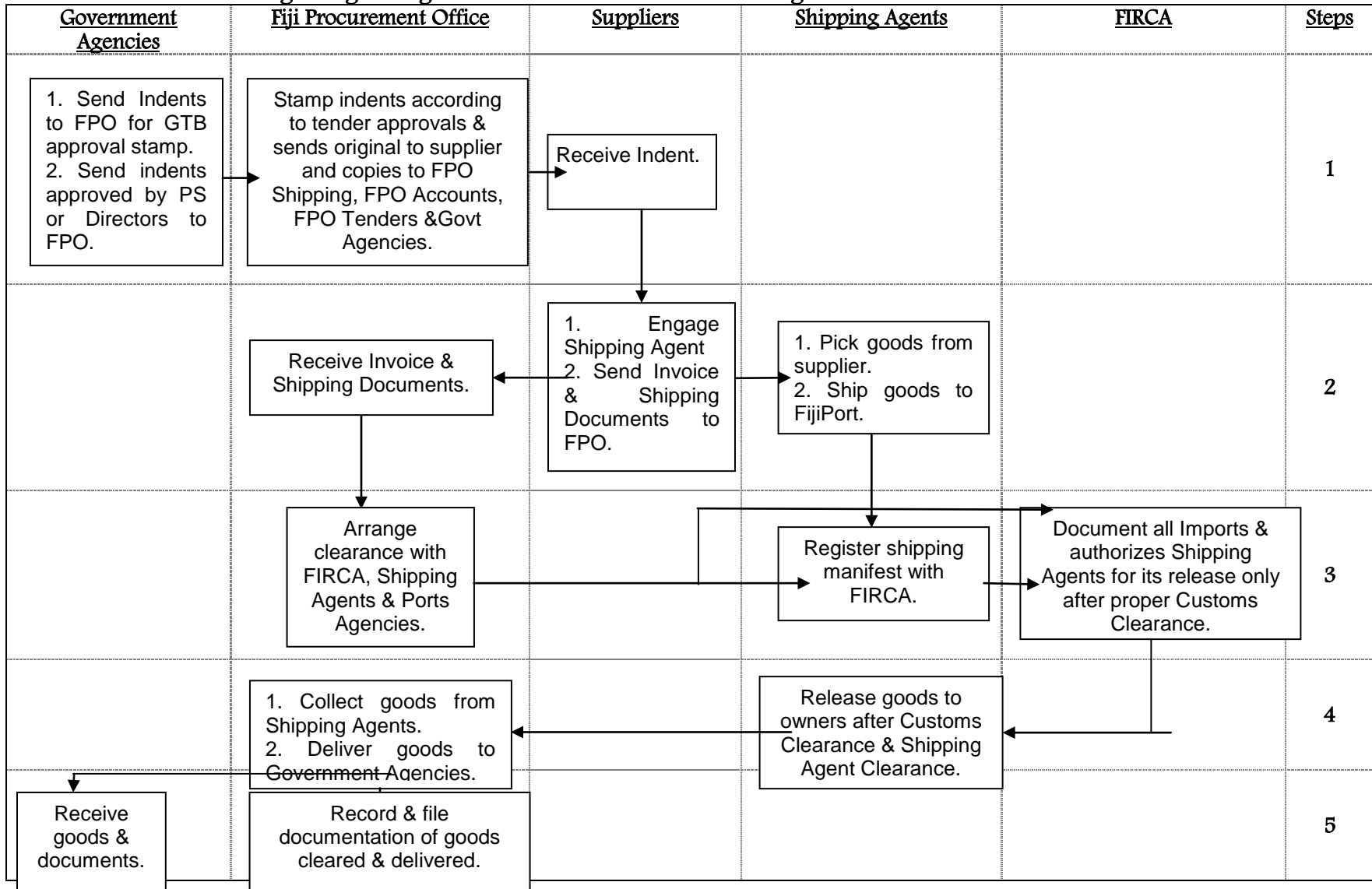
A request has to be forwarded to the Director FPO only if urgent clearance needs to be done after working hours and if goods have to be delivered beyond 10km of any of the clearance port.

22.1.2 Clearance of Non-Indented Items

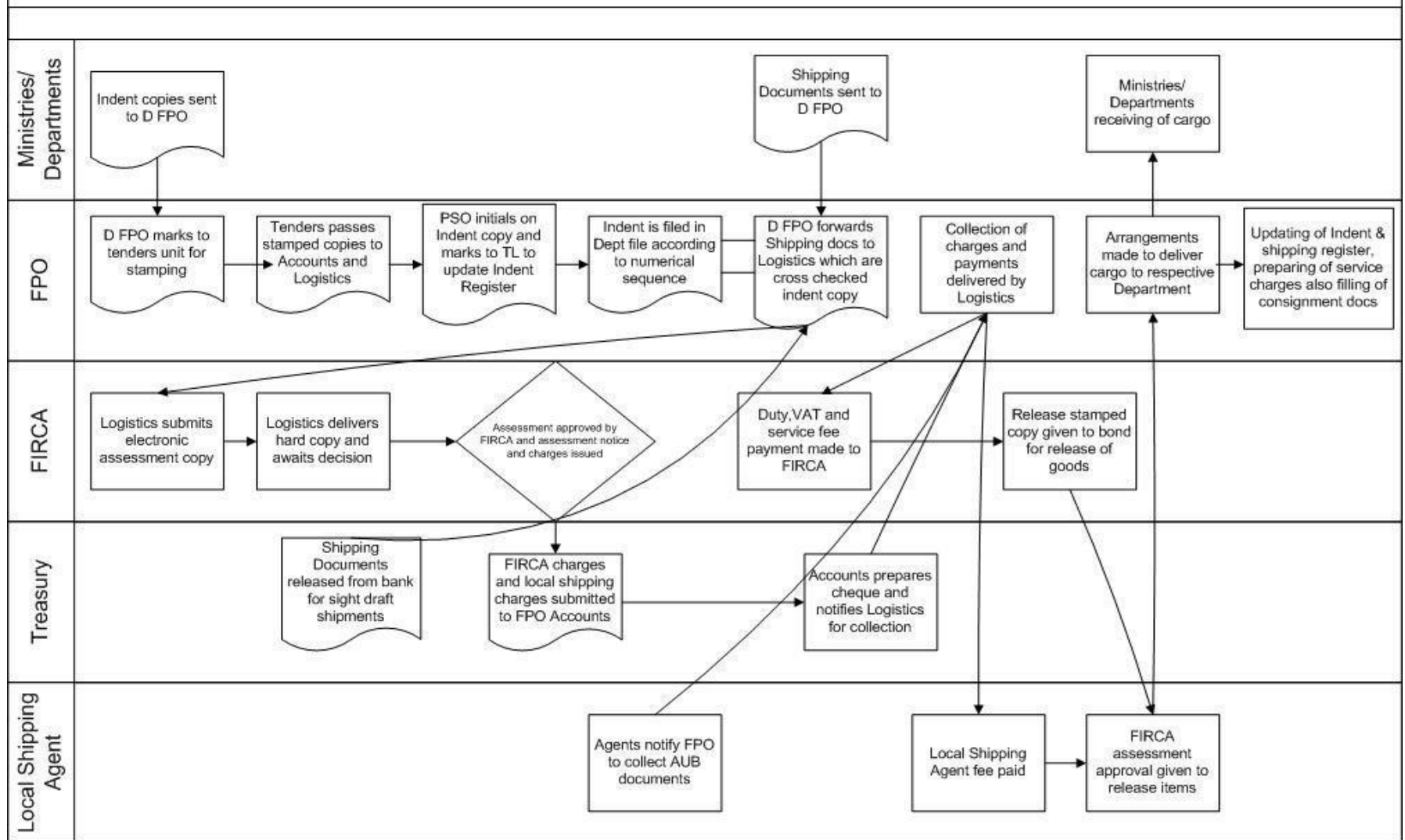
A request for clearance of goods must be forwarded by the Heads of Department of the requesting agency to The Director of the Fiji Procurement Office who forwards a copy of the approved request to the FPO Accounts department to re-check and verify the allocation number before charges are incurred by the Logistics Unit. After confirmation of the allocation number the request is forwarded to the Logistics Unit.

- 22.2 The FPO is the broker acting on behalf of government agencies. In any case government agencies (consignee) will always contact FPO (customs broker) to clear shipments and provide FPO with the documentation requested by customs. After documentation is submitted, necessary payments are made and the shipment/documentation is inspected, the shipment is cleared and released to the consignee.
- 22.3 Agencies together with FPO should be very conscious of the extra costs that are spent by Government on unnecessary delays through human errors and laxity. All individuals involved with the procurement, receiving and clearance of the product should ensure that all processes are completed within time so that no further detention or demurrage charges can be incurred.
- 22.4 The following diagram is the recommended processes of the documentation for 'non Letter of Credit' and 'sight draft' purchased goods:

Process to reduce the existing Storage Charges Trend for non Letter of credit and Sight draft Purchased Goods



Process Map for Air/Sea Clearance of Indented Items > \$30,000



23.0 Sea Freight Clearance

Point of entry – Suva and Lautoka Port

Steps	Process	Description/Responsibility
1	<p><u>Scheduling of Goods Arrival</u> FPO is notified on the expected time of arrival of Goods by way of memo or email from Suppliers and Agencies or through the bank. The original shipping documents are sent to FPO by the Agency or the Supplier or through the bank 2 weeks in advance or sooner.</p>	
2.	<p><u>Arrival of Goods</u> A manifest run is performed regularly (in accordance to ETA scheduling) to confirm receipt of Goods.</p>	<p><u>Manifest Run</u> A manifest run includes the following tasks: Confirming arrival of goods and extracting relevant manifest details for customs clearance. Confirming shipping schedules Endorsing Shipping Charges Making payments Enquiries <u>Manifest Details</u> FPO Officer completes manifest form based on manifest summary provided by Shipping Agencies. Information derived from manifest summary includes particulars of the ship, consignment/cargo and destination. Detail specifications include the goods value, kind, weight, dimensions and quantity. Extracted details will assist the officer in completing the Single Administrative Document (SAD). “Original/Master” shipping manifest is maintained by Shipping Agencies and is not made available to the public. <u>Original Shipping Documents</u> Shipping Agencies will only release Goods upon surrender of “original” shipping documents. At times, the Supplier surrenders the original shipping documents from point of export. The Bill of Lading will be clearly marked as “express release” or “waybill” to denote this. Original shipping documents consist of: Suppliers Commercial Invoice Bill of lading Packing List For tax clearance purposes, copies of original shipping documents to support custom lodgement are accepted.</p>
3	<p>FPO Logistics Unit verifies all shipping documents</p>	<p>The FPO Shipping Officer ensures receipt of all necessary documentation to ensure swift clearance. The Logistics Staff must verify that that all non indented items are approved by the D(FPO) before any clearance takes place.</p>

4	FPO Logistics Unit officer responsible processes the Customs SAD	<p><u>Customs Entry On Line</u> Shipping officer completes SAD form on-line. Upon successful submission of entry, a customer reference number is generated enabling the completion of SAD application.</p> <p>Upon endorsement of the SAD application by the Shipping Officer or Supervisor, SAD forms are lodged with Customs Unit for final assessment.</p> <p>Depending on the nature of goods, the SAD application may include the following mandatory information:</p> <ol style="list-style-type: none"> 1) Worksheet-Full Freight 2) C45 3) Declaration and approval 4) Advise List 5) Approval for duty concession 6) Quarantine certificate <p><u>Assessment Notice For Payment</u> The successful lodgement of a customs entry is confirmed by the receipt of an “Assessment Notice For Payment” from Customs outlining the assessed amount for payment.</p>
5	FPO processing of local charges, service charges, fiscal, VAT and other charges	<p><u>Clearance Charges</u> FPO officer collates all Goods related charges, checks for accuracy, prepares submissions in accordance to prescribed format and forwards it to Treasury for payment.</p> <p><u>Customs Release Notice</u> Upon payment of the assessed amount, a “Release Notice” is issued by Customs enabling the release of Goods from Shipping Agent.</p>
6	FPO arranges clearance of goods and delivers consignments to respective government agencies	<p>FPO officer surrenders original shipping documents and submits relevant approval documentation to the Shipping Agency for the release of Goods.</p> <p>The consignment may be physically examined in the presence of a customs officer and a representative from the respective shipping agency.</p> <p>The inspection process includes:</p> <ul style="list-style-type: none"> • the verification of physical goods to invoice and order.(Goods matching) • ensuring that goods match declaration • confirming the value of cargo for duty assessment/tariff classification • determining any damage to cargo • ensuring that items are not prohibited under Fiji laws <p>Having satisfied the inspection process, Goods are released for safe delivery to destination.</p>
7	Raise GS39 for payment of indent	<p>The FPO Accounts Unit sends completed GS39 requisition to Treasury for the payment of goods to the supplier.</p>

23.1 Air Freight

Point of entry – Nadi International Airport / Nausori Airport

Steps	Process	Description/Responsibility
1	<p><u>Scheduling of Goods Arrival</u> FPO is notified on the expected time of arrival of Goods by way of memo, email or telephone from Suppliers and Agencies. The original shipping documents usually accompany the consignment. The packing list is usually attached to the cargo.</p>	
2.	<p><u>Arrival of Goods</u> The shipping agents contacts FPO Logistics Staff when goods arrive in the country. However it is encouraged that calls are to be made to the agent when anticipating arrival of goods.</p> <p>A Parcel Notification and Duty Entry Form (PNDE) advice is received from Post Fiji advising on packages available for collection</p>	<p><u>Manifest Run</u> <u>As opposed to Sea Freight, there is no manifest run. The sea freight agents would call and advise once the shipment has arrived in the country. However the clearance staff should also call and check whether the goods have arrived or not.</u></p> <p><u>The airway bills , invoices and the packing list usually accompanies the goods.</u></p> <p><u>Original Air Way Bills Documents</u> The shipping company will only release goods upon surrender of “original” shipping documents. Original shipping documents consist of: 1) Commercial Invoice 2) Air way Bill 3) Packing List For tax clearance purposes, copies of original shipping documents to support custom lodgement are accepted.</p> <p><u>Clearance of Accompanied Luggage</u> These are mostly hand carried goods-for visiting Medical Teams etc. With the introduction of FIRCA’s new automated pre –release system (PR9) FPO Logistics require all necessary information and documents to process PR9-docs that includes : <i>1) Commercial invoice</i> <i>2) Flight itineraries</i> <i>3) List of personnel entering the country</i> This information must be given to FPO sooner or at least one day before the team arrives. Failure to do this is will result in goods being detained by customs upon arrival and this results in causing delays in the intention of the visiting team.</p>
3	FPO Logistics Unit verifies all shipping documents	The FPO Shipping Officer ensures receipt of all necessary documentation to ensure swift clearance similar to clearance of sea freight. The Logistics Staff must verify that that all non indented items are approved by the D(FPO) before any clearance takes place.

4	FPO Logistics Unit officer responsible processes the Customs SAD	<p><u>Customs Entry On Line</u> FPO Shipping Officer completes SAD form on line. Upon successful submission of entry, a customer reference number is generated enabling the completion of SAD application. Upon endorsement of the SAD application by FPO Shipping Officer or Supervisor, the SAD forms are lodged with Customs Unit for final assessment Depending on the nature of goods, the SAD application may include the following mandatory information: 1) Worksheet-3/4 Freight 2) C45 3) Declaration & approval 4) Advice List 5) Approval for duty concession 6) Quarantine certificate</p> <p><u>Assessment Notice For Payment</u> The successful lodgement of a customs entry is confirmed by the receipt of an “Assessment Notice For Payment” from Customs outlining the assessed amount for payment.</p>
5	FPO processing of local charges, service charges, fiscal, VAT and other charges	<p><u>Clearance Charges - Suva</u> FPO Officer collates all Goods related charges, checks for accuracy, prepares submissions in accordance to prescribed format and forwards on to Treasury for payments.</p> <p><u>Clearance Charges – Lautoka</u> FPO Lautoka Office utilizes the approved imprest account level of \$8,750 - any amount above this is sent it to Suva for approval and processing of cheque.</p> <p><u>Customs Release Notice</u> Upon payment of the assessed amount, a “Release Notice” is issued by Customs enabling the release of Goods from the Shipping Agent.</p>
6	FPO arranges clearance of goods and delivers consignments to respective government agencies	<p>FPO Officer surrenders the original shipping documents and submits relevant approval documentation to the Shipping Agency for the release of Goods. The consignment must be physically examined in the presence of a customs officer and a representative from the respective government agency The inspection process includes:</p> <ul style="list-style-type: none"> • the verification of physical goods to invoice and order.(Goods matching) • ensuring that goods match declaration • confirming the value of cargo for duty assessment/tariff classification • determining any damage to cargo • ensuring that items are not prohibited under Fiji laws <p>Having satisfied the inspection process, Goods are released for safe delivery to destination.</p>
7	Raise GS39 for payment of indent	The FPO Accounts Unit sends completed GS39 requisition to Treasury for the payment.

23.2 Sea and Air Freight Clearance for Free Duty and VAT Goods

23.2.1 The following addresses the clearance of imported goods categorized as “Free Duty and VAT items” under FIRCA’s Customs Act.

23.2.2 This covers goods that are purchased directly by government ministries from overseas suppliers, imported goods ordered through local suppliers under a contract agreement as well as goods supplied as donation from donor agencies or governments.

23.2.3 This is to ensure that additional freight charges are minimized as FPO’s Shipping Clearance Section shall be responsible for the goods clearance. This practice in turn eliminates additional third party freight charge margin or markup and presents the opportunity to save instead.

23.3 Free or Non-Chargeable Duty and VAT Goods Category

23.3.1 With reference to FIRCA’s Customs Tariff Act, goods that fall into the free Duty and VAT category are as follows:

1. For Hospital or Medical institution.
2. For a University, a School and other Educational institutions.
 - For Medical, Surgical and Dental goods or other goods approved by the Comptroller of the Fiji Customs Authority, the goods specified are solely for Medical, Surgical or Dental purposes or use in hospitals or medical institutions approved by the Permanent Secretary for Health.
 - The clearance certification is to be signed by the Medical Superintendent.
 - For a University, a School and other Educational institutions, the goods include Technical Aids, Educational Printed matter, Pre-recorded educational material and other goods that may be approved by the Comptroller of the Fiji Customs Authority.
 - The goods are solely for use in the teaching (including physical training) of students or solely for use in research programs.
 - The clearance certification is to be signed by the Registrar of the University, Principal of the School and other Educational Institutions.

23.4 Summary of Air and Sea Customs Clearance for Goods that Qualifies for Free Duty & VAT

Steps	Process	Description/Responsibility	
1	Receive Invoice & Shipping Documents	a	Pre-condition to clear consignment.
		a.i	Goods should be ordered by Government Ministries.
		a.ii	It could be an Overseas Order.
		a.ii	It could be an Overseas Supplier.
		i	
		a.iv	It could be a Local Order – contract agreement.
		a.v	It could be a Local Supplier – contract agreement.
		a.vi	Or Goods that are supplied by Donors.
		b	Goods that are Free of Duty & VAT.
		b.i	For Hospital or Medical Institution.
			For Medical, Surgical and Dental goods or other goods approved by the Comptroller.
			The goods specified are solely for Medical, Surgical or Dental purposes or use in Hospitals or Medical Institutions approved by the Comptroller of the Fiji Customs Authority.
			The clearance certification is to be signed by the Medical Superintendent.
		b.ii	For a University, a School and other Educational Institution.
The goods include Technical Aids, Educational Printed matter, Pre-recorded educational material and other goods that may be approved by the Comptroller.			
The goods are solely for use in the teaching (including physical training) of students or solely for use in research programs.			
The clearance certification is to be signed by the Registrar of the University, Principal of the School and other Educational Institutions.			

23.5 Clearance of Dangerous Goods.

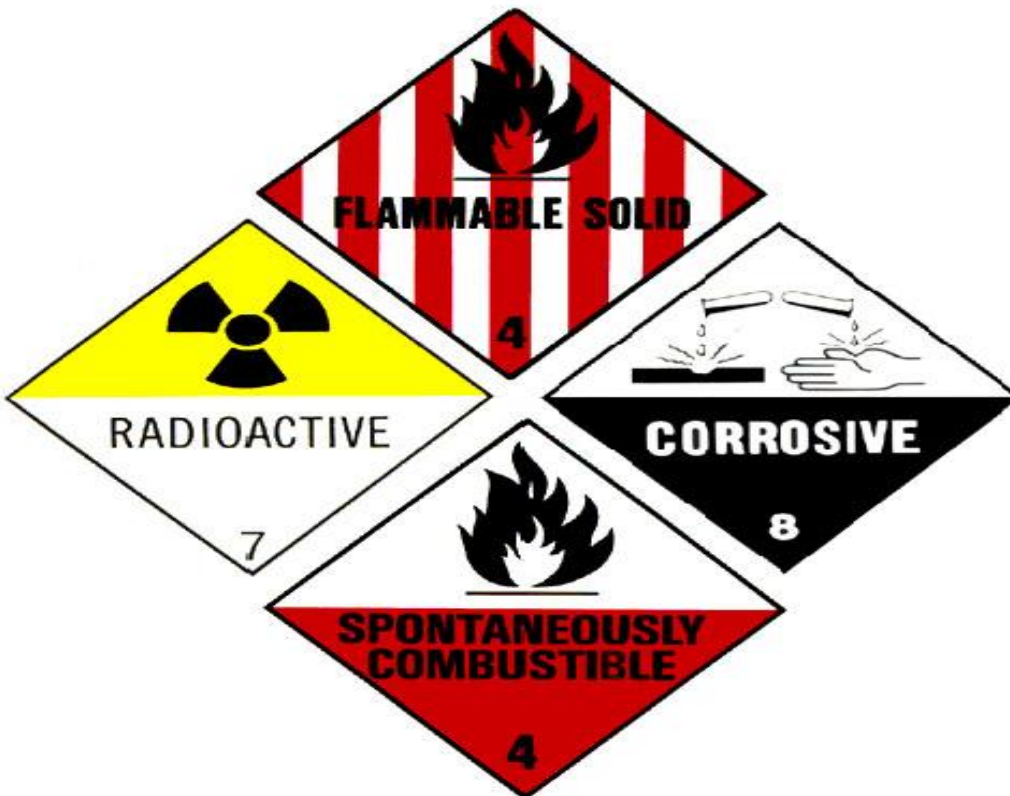
23.5.1 The Wikipedia defines dangerous goods as goods which are solids, liquids, or gases that can harm people, other living organisms, property, or the environment. They are often subject to chemical regulations.

23.5.2 Together with the mandatory shipping documents as stipulated under section 5.4 the following must also be submitted to the Fiji Procurement Office Logistics Unit for clearance of dangerous goods.


























- Import License from the relevant issuing authority
 - Ammunitions –Police
 - Chemicals – Energy and Environment
 - Dangerous Drugs – Fiji Pharmaceutical

23.5.3 Transportation of dangerous goods must be taken care of by the consigned Ministry and Department and must be in line with the regulations of the State, in regards to transportation of dangerous goods and substances.

23.5.4 The following are some signs and symbols of the dangerous goods classes and Divisions:



Dangerous Goods Classes and Divisions

1.1, 1.2, 1.3	EXPLOSIVES		2.3	TOXIC GASES		5.2	New Label, ORGANIC PEROXIDES		7 Cont	FISSILE MATERIAL		
1.4	Substances and articles which present no particular hazard		3	FLAMMABLE LIQUIDS			Old Label (not permissible after 1 January 2011)		8	CORROSIVE SUBSTANCES		
1.5	Very insensitive substances which have a mass explosion hazard		4.1	FLAMMABLE SOLIDS		6.1	TOXIC SUBSTANCES		9	MISCELLANEOUS DANGEROUS SUBSTANCES & ARTICLES		
1.6	Extremely insensitive articles which do not have a mass explosion hazard		4.2	SUBSTANCES LIABLE TO SPONTANEOUS COMBUSTION		6.2	INFECTIOUS SUBSTANCES		MIXED CLASSES (for road or rail transport or for storage in Australia)			
2.1	FLAMMABLE GASES		4.3	SUBSTANCES WHICH, IN CONTACT WITH WATER, EMIT FLAMMABLE GASES		7	RADIOACTIVE MATERIAL (Category I)		ELEVATED TEMPERATURE SUBSTANCES			
2.2	NON-FLAMMABLE NON-TOXIC GASES		5.1	OXIDIZING SUBSTANCES			RADIOACTIVE MATERIAL (Category II or III)		ENVIRONMENTALLY HAZARDOUS SUBSTANCES			
2.2 Sub-risk	OXIDISING GAS (Oxygen and Nitrous Oxide - only for road or rail transport or for storage in Australia)											
5.1												

23.6 Clearance of Relief Supplies

- 23.6.1 Efficient clearance of relief supplies during and after natural disasters is of paramount importance to the FPO Logistics Unit as well as the National Disaster Management Office (NDMO).
- 23.6.2 The NDMO office must liaise with donors and advise that consignments must be consigned to Prime Minister's Relief and Rehabilitation Fund, and arrange for documentation such as:
- (i) Import permits; and
 - (ii) License
- 23.6.3 All correspondence must first be sent to the NDMO for their endorsement and approval before it is forwarded to the Fiji Procurement Office with the allocation number for which clearance will be charged.

24.0 Process Flow for Exports

- 24.1 The role of the FPO Logistics Unit function extends to facilitating the exportation of items for the Fiji Government as well. Agencies must utilize this function of the Logistics Unit.
- 24.2 Circumstances give rise to exportation of items by the Ministries and Departments are:
- (i) Privileged Goods
These are items brought in by medical visiting teams, expatriates, technical expertise for Meteorology, etc. When these items are cleared by FPO Logistics Unit only 7.5% of the total duty cost is paid. After these items have been utilized for its purpose, it is MANDATORY these items are exported back to their countries of origin via the FPO Logistics Unit. In cases where other shipping agents are utilized, FIRCA seeks explanation from agencies and the FPO Logistics Unit due to non-closure of temporary import account that was lodged by the Unit and the duties paid are forfeited.
 - (ii) Repairs and Maintenance
Goods procured by the Government that needs to be sent back for repairs/maintenance.
 - (iii) Goods returned
Incorrect items supplied by overseas suppliers MUST be sent back via the FPO logistics unit.
- 24.3 The following flow chart demonstrates the process of exportation of items under any scenario:

