## Introduction

Procurement is a key activity in the supply chain. It can significantly influence the overall success of an emergency response depending on how it is managed. In humanitarian supply chains, procurement represents a very large proportion of the total spend and should be managed effectively to achieve optimum value. It serves three levels of users:

1. The internal customer.
2. Programs in response to emergencies and ongoing programs.
3. Prepositioning of stocks, for both internal customers and program needs.

In collaboration with the warehouse function, products/commodities are mobilised and delivered.

**Diagram 1: The role of procurement**

Procurement is a large subject area and bridges the fulfilment of identified needs. The objective of this topic is to highlight the key areas, provide tools, templates and hyperlinks to additional information such as donor guidelines should that be required.

Note: It is NOT the intention to recommend process in this chapter. Process, in the context of procurement, is organisation specific and based on organisational policies and donor requirements. The intention here is to provide industry best practice that can be replicated or used to complement what is already in existence or adopted in totality where no guidelines exist.

## Definition

Procurement is the process of identifying and obtaining goods and services. It includes sourcing, purchasing and covers all activities from identifying potential suppliers through to delivery from supplier to the users or beneficiary;

Purchasing is the specific function associated with the actual buying of goods and services from suppliers; and

Sourcing is simply: “Identifying and working with appropriate suppliers”.

Procurement in the Humanitarian Context

The three important principles of humanitarian logistics procurement are:

- transparency – all phases in the procurement process are fair and accurately documented;
- accountability – accountability to donors who may require certain rules to be followed when using the money they have provided;
- efficiency and cost effectiveness – meeting the six rights of supply; price, right time, right quantity, quality services, delivery to the required places and from the most cost effective source.

The principles and their importance stem from three key facts:

- the resources utilised are usually funded by donors;
- transparency contributes to the establishment of sound and reliable business relations with suppliers; and,
- efficiency and cost effectiveness has a direct impact on operations and ultimately on beneficiaries.

The Procurement function must guard and mitigate against risk, understand the market, build relationships with suppliers, meet needs in a timely manner and constantly monitor performance to improve service provision. Hence the need for an organisation to have clearly defined policies that are well understood.

Procurement Objectives

The aim and objective of procurement is to carry out activities related to procurement in such a way that the goods and services are procured according to the "Six Rights." These "Six Rights" are:

- Right QUALITY
- Right SOURCE
- Right COST
- Right QUANTITIES
- Right PLACE
- Right TIME

The "Six Rights" can inform the procurement process and includes:

- buying quality materials, items and services economically from reliable sources;
- ensuring timely delivery through the selection of capable and efficient suppliers;
- continuously locating, evaluating and developing economical and reliable supply sources;
- identifying the most reliable sources of supply through either open tender, multi-stage tendering (pre-qualifying suppliers and retaining only those that are capable of meeting the organisation's requirements - strategic sourcing) and limited tendering. For more information, see Types of tender in the Annexes;
- investigating the availability of new materials and monitoring trends in market prices;
- buying in accordance with the organisations policies;
- estimating, positioning and monitoring appropriate levels of stocks based on estimated needs, operational policy, objectives and priorities, estimated time for replenishment and availability of funds; and
- participating in planning and coordinating purchasing needs across all central procurement teams and the in field in order to reduce administration and make the best use of money spent.

It is important to recognise that these steps are interrelated and may influence each other but do not carry the same weight depending on the situation. For example, in an emergency situation it may be possible to obtain the right quantity but not at the right price. There may be competition for certain goods, so to get the quantities required may mean paying a slightly higher price.

Procurement Policies

Procurement policies will vary from organisation to organisation but are the organisational rules and regulations governing the procurement function. The policies determine how different aspects of procurement will be carried out in the organisation and how people working in procurement should behave. In summary, the policies;

- provide general and specific guidelines for managing the buying of items and services;
- establish a purchasing criteria and decision making process;
- ensure that implementing staff are well trained;
- provide specific guidelines for establishing and managing relationships with external entities in relation to procurement;
- encourage and enhance internal control measures; and
- act as a management tool for better decision-making and better stewardship of the resources entrusted to organisations by its donors.

Policy Inclusions

As a guide, a typical procurement policy should include, but not necessarily be limited to the following subjects:

- role of procurement in the organisation and its structure;
- procurement professional ethics;
- sourcing strategy;
- donor guidelines; special purchasing requirements on grants;
  - USAID guidelines: Grant Regulations Admin Requirements
Procurement Process

Logistics staff participation in assessments provides logistics information and data that supports program/response implementation. This enables the logistics function to know and understand program or response needs. The organisation is then able to plan ahead for the provision of the goods and services. The assessment results feed into procurement plans. In an emergency situation, the participation of logisticians will inform management on the feasibility of a response to physical needs.

For emergency response purposes the procurement process can be wrapped into four clear steps:

- needs identification;
- specify;
- sourcing, awarding and placing orders;
- supplier management to facilitate timely delivery.

Diagram 2: Procurement Process

Needs Identification

Requirements for goods and services originate from different users. In emergencies, the response teams in various sectors request for basic supplies to meet the needs of those affected. The needs range from blankets, mosquito nets, tents to food supplies, household items, etc.

The needs are communicated to procurement in the form of a "request". These requests may be electronic, hard copy or verbal, and may be very specific where the users know exactly what they need in terms of specification, quantities, and delivery details. Or they may be less specific where the users are not able to provide exact information.

In emergencies the requests are sometimes verbal or done on email communication.

In whatever form, the needs must be clear, unambiguous and confirmed by the originator of the request. The specifications should contain the essential features or characteristics of the requirements but must not be over or understated or contain non-essential features that might limit the sources of supply or limit the number of potential suppliers. Assessments inform needs identification.

Plan
Once the needs have been identified and forwarded to Procurement in a request form (see different purchase order requisition templates in the Annexes), the procurement department should develop or communicate a plan on how to deliver the service or goods required. But the plan must be developed in collaboration with the other functions within the organisation, so that it is integrated into the organisation’s strategy and therefore provided for adequately.

**Specify**

To be able to purchase the right goods or services, the specifications of what the user/beneficiary needs must be clear. These specifications are used to communicate to the supplier what is needed and what should be supplied. It is therefore important to have clear, precise and accurate specifications. Most organizations have standard specifications for the most regularly procured items and services such as medical and construction. One example is of Inter-Agency working groups who have developed standards to facilitate the establishment of common framework agreements. (See Plastic Sheeting and Blankets specifications)

The customers determine the specification. There is, however, an important role to be played by those responsible for purchasing the goods or services.

What makes a good specification?

Specification is a detailed description of the design, the service, or materials. It describes in detail the requirements to which the supplies or services must conform. The basic requirement of a good specification is to clearly identify the service or product to stakeholders. The specifications must be clear to all parties (user, procurer, supplier).

Factors to consider in specifying a product:

- physical attributes
- technical specifications
- intended use

Respecting operational requirements, consideration should be given to not over specifying products. Over specification can limit competition and increase cost.

**Source, awarding and placing orders**

**Method**

Some of the methods of purchasing or obtaining goods and services for an emergency are:

- drawing from existing stocks within the organisation;
- cash purchases on approval;
- calling-offs from existing - supply/framework agreements/long term agreements;
- ordering from a sole/single source, multiple sources, supplier, alliances/partnerships; these could be local or international purchasing;
- purchasing from the open market on a quick request for quotation with request for short turn-around;
- in preparation for slow-on-set or for complex emergencies, purchase from the open market through an open invitation to tender;
- other agencies/organisations’ donations; and
- borrowing from stock held by other agencies/organisations in the UNHRD network.

**Process**

Sourcing is the process of identifying sources of supply that can meet the organisations immediate and future requirements for goods and services. In an emergency situation the immediate needs would be priority consideration. Under the circumstances, identifying sources of supply and accessing supplier capabilities will either be carried out as users’ place their requests to procurement or once a request has been received.

The sourcing process adopted will depend on the situation and on the time available to carry out sourcing. In response to a slow onset emergency, stock-piling may take place before specific requests are made. In a sudden on-set emergency the need to respond quickly to the emergency will mean there is no time to gather sourcing information and approve suppliers before customers start to place requisitions. The organisation would then call-off on existing stocks or purchase short term requirements off the local market for the initial days or order from existing agreements.

Some sources of supply information are:

- catalogues and brochures;
- trade directories;
- the internet, exhibitions, trade journals, government offices;
- other people involved in procurement;
- other organisations, other humanitarian organisations;
- supplier records, request for information/requests of expression of interest;
- existing approved supplier databases; and
- procurement agents.

**Vendor performance**

Vendor rating and supplier performance monitoring are applicable to all scenarios for quality service delivery. These aspects should be built into on-going business. For emergencies, performance monitoring is limited to delivery and quality of goods. Though vendor rating is applicable in emergencies, the criteria may vary from one that is used in the long term arrangements. For example, ability to deliver immediately may carry more weight than the price, provided the price variation is not too big.
Factors to consider in vendor rating:

- vendors' legal status;
- price and cost;
- quality of goods;
- service record;
- availability of goods;
- ability to deliver in time;
- good communication; and
- availability of a clearly identified focal point.

For more information, see Suppliers Confidential Business Questionnaire and Supplier Rating Tool in the Annexes.

Steps in the sourcing process
Sourcing from the Open Market

Sourcing from the open market will require using quotations and/or tenders. The process for this will vary depending upon an organisation’s own internal procedures. But the following are considered ‘best practices’.

<table>
<thead>
<tr>
<th>Inviting and receiving quotations</th>
<th>Inviting and receiving tenders</th>
</tr>
</thead>
</table>

Diagram 3: Sourcing Process.
- A limited number of vendors are invited to bid for supply of products/services.
- Bids are returned within a specified deadline.
- Receiving sealed bids depending on the limits provided by the organisation.
- Use of locked box or lock fax machine for receipt of bids.

Documents used:
- invitation to tender forms;
- advertisements;
- Request for information (RFI)
- Request for quotation (RFQ)
- Request for proposal (RFP)
- Request for bid.
- Technical specification documents.

**Evaluation and Awarding**

The evaluation of tenders and awarding of contracts to suppliers is an important phase of the procurement process. It is this process that determines the actual quality, reliability, delivery, etc. of the goods and services. The procurement department coordinates the following:

- analysing and evaluating the bids against set criteria, specification requirements and presenting the analysis to an appointed committee; this process is applicable for both quotations and tenders;
- verification of supplier capability and quality control/assurance processes;
- reviewing product inspection results where necessary;
- verification of technical evaluation reports where applicable;
- negotiates with vendors where it is recommended by the committee; and
- places orders and expedites the delivery.

Some points to note:
- assess and consult on any big price variations;
- avoid potential conflict of interest, undue influence, price fixing and favouritism etc;
- ensure consultative decision making and sharing of responsibilities. The tender box should not be opened by one person only;
- the criteria used to evaluate bids should be tested and validated by the committee before reception of bids; and
- different steps of the process, results and choice should be documented (minutes, adjudication report...etc).

**Placing Orders and Contracting**

The next step in the process involves placing orders for the goods or services with the supplier, or establishing contracts which need to be sent to suppliers. In emergency situations the approval levels and limits are adjusted, based on an approved process, to speed up the process of acquiring goods and services. Under normal circumstances, the approval processes may be more elaborate. The orders establish contractual relationships between the organisation and the supplier. Depending on the organisations guiding policies, this contractual relationship can be represented in various forms (see attachments in Annexes). Examples of these documents include:

- Purchase Orders 1, 2, 3
- Service Order
- Service Contract
- Frame agreement
- General Delivery Contract

For information on international trade, see International Commercial Terms used in international contracts of sale: [INCOTERMS 2000](#), [INCO terms explanation](#), INCOTERMS narrative, INCOTERMS practical application chart.

Important features of a contract or agreement:

- cost
- specification/description
- quantity
- lead-time / delivery time
- approvals
- date of issue
- serial number
- terms and conditions (including penalties)
- INCOTERMS / place of delivery

See [Contracting tips and basic inclusions](#), [Standard conditions of contract](#) and [Purchase contract](#): an agreement between purchaser and supplier.

** Expedite/ Progressing Orders**

Once the order is placed and the supplier has confirmed receipt and agreed to the contract terms and conditions, the role and the amount of work that staff in procurement have to undertake will be affected by the performance of the suppliers. It is necessary therefore, for the procurement staff to monitor the progress of orders and the performance of the suppliers. Supplier performance will determine the amount of time and money that has to be spent in expediting orders and the managing of suppliers. To ensure an uninterrupted flow of goods and services, expediting should be a continuous process, especially in emergencies. The continuous monitoring enables the organisation to pick out break-down points in the system and quickly identify solutions.
Delivery and Return

Procurement only facilitates delivery through expediting for timely delivery and trouble-shooting returns. The physical receipt and inspection of goods takes place at the delivery point. Procurement only needs to know that delivery has taken place and that the supplier has delivered in accordance with the purchase order and complied with delivery contract requirements.

 Whoever is responsible for accepting delivery and inspecting the goods should understand the procedure to follow in the event that there are any problems or discrepancies. For certain goods or commodities an independent inspection company may be used to check the quality of the goods.

Payment

When goods or services are received and accepted into stock, Procurement then facilitates payment of the supplier by providing necessary documentation to Finance.

Orders are normally generated in Procurement. As the goods are delivered in the warehouses and transported to final distribution points, additional documents are generated in the process to support transactions. All these documents are finally consolidated to support vendor payments. In the diagram below, the entities on the left generate the documents. On the right are examples of some of the documents used to support payment.

```
Diagram 4: Example of necessary documentation used to support payments.
For samples, see the Annexes.
```

Review

It is very easy to forget the review stage, particularly when there is a lot of procurement activity taking place as in the case of an emergency. The review stage has got three main objectives:

- a review with the original user or beneficiary on whether the original needs they had have been met;
- a review of the performance of procurement in carrying out the procurement process; and
- a review of the supplier performance.

In emergency situations, the review step happens much later in the emergency. Emphasis during the emergency is focused on obtaining the goods and services and meeting the needs.

Procurement Tools and Documents

Different humanitarian organisations will have their own systems and documentation that they use during the procurement process. These are used to enable people to carry out the procurement process efficiently and consistently. Historically, the procurement process has been paper based and has required the use of a range of documents. In the initial days of an emergency, it is difficult to introduce a new system but easy to apply an existing one with minimum guidance to facilitate the speed of response.

Procurement System
In this context a standard procurement systems (SPS) is a software suite providing front office services to procurement professionals. It is intended to provide standard business processes and data management across a wide range of procurement communities. Procurement in emergencies is very complex, necessitating procurement of relief supplies from multiple worldwide sources. An SPS provides a paper-less transaction trail for better accountability, facilitates order tracking and reduces the opportunity for fraud. There are many SPS available on the open market, from which an organisation can select one that is suitable to their needs. There are also service providers on the open market who have the capability to develop an SPS specifically tailored to meet individual needs.

Conclusion

Procurement must be seamlessly integrated with the other aspects of Logistics and functions within the organisation, such as Warehousing, Distribution, Finance, HR, etc. An integrated approach to service delivery will no doubt contribute to the timely, efficient and effective delivery of humanitarian assistance. Clear communication lines, timely flow of documentation and constant feedback will facilitate the procurement process. The involvement of the Logistics function in assessments will enable Logistics to plan for the delivery of services, but for Logistics to succeed, the procurement plan must be well integrated and visible in the overall response plan. In emergency situations, easily accessible logistics preparedness and response guidelines will help to fast track the development of a response plan, tailored for a specific situation.

Additional Information

International Commercial Terms: INCOTERMS 2000, INCO terms explanation, INCOTERMS narrative, INCO practical application chart.

Concern Worldwide

IFRC Logistics Field Manual

UNHCR Handbook for Emergencies

UNICEF Emergency Field Handbook

WFP Emergency Operations Handbook

World Vision International

WHO Logistics Manual

Tearfund Procurement


Mangan, J., Lalwani, C., and Butcher, T., Global Logistics and Supply Chain Management, John Wiley & Sons, Ltd- Link

Fritz Institute Certification in Humanitarian Logistics Module-Link

File	Modified
---
PDF File LOG-02-3-PROCUREMENT-ECHO Agreement Guidelines.pdf	Jul 16, 2015 by Business admin access
PDF File LOG-02-3-PROCUREMENT-ECHO Annexe 4.pdf	Jul 16, 2015 by Business admin access
PDF File LOG-02-3-PROCUREMENT-ECHO Fact Sheet HPC.pdf	Jul 16, 2015 by Business admin access
PDF File LOG-02-3-PROCUREMENT-ECHO Fact Sheets Final.pdf	Jul 16, 2015 by Business admin access
PDF File LOG-02-3-PROCUREMENT-ECHO Financial Guidelines Final.pdf	Jul 16, 2015 by Business admin access
PDF File LOG-02-3-PROCUREMENT-ECHO Framework Partnership Agreement.pdf	Jul 16, 2015 by Business admin access
PDF File LOG-02-3-PROCUREMENT-ECHO General Conditions.pdf	Jul 16, 2015 by Business admin access
<table>
<thead>
<tr>
<th>File Name</th>
<th>Date</th>
<th>Author</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOG-02-3-PROCUREMENT-ECHO Grant Agreement.pdf</td>
<td>Jul 16, 2015</td>
<td>Business admin</td>
</tr>
<tr>
<td>LOG-02-3-PROCUREMENT-ECHO New Consolidated V Hum Aid Regulation.pdf</td>
<td>Jul 16, 2015</td>
<td>Business admin</td>
</tr>
<tr>
<td>LOG-02-3-PROCUREMENT-ECHO QUALITY ASSURANCE FOR MEDICINE AND MEDICAL SUPPLIES.pdf</td>
<td>Jul 16, 2015</td>
<td>Business admin</td>
</tr>
<tr>
<td>LOG-02-3-PROCUREMENT-ECHO Single Form Guidelines.pdf</td>
<td>Jul 16, 2015</td>
<td>Business admin</td>
</tr>
<tr>
<td>LOG-2-2-diagram2-Procurement-Process_large.JPG</td>
<td>Jun 19, 2015</td>
<td>Business admin</td>
</tr>
<tr>
<td>LOG-2-2-diagram1-the role of Procurement_large.jpg</td>
<td>Jun 19, 2015</td>
<td>Business admin</td>
</tr>
<tr>
<td>LOG-2-2-diagram3-Procurement Sourcing Process_large.JPG</td>
<td>Jun 19, 2015</td>
<td>Business admin</td>
</tr>
<tr>
<td>LOG-2-2-diagram3-Sourcing%20Process_large[1].png</td>
<td>Aug 07, 2015</td>
<td>Justin White</td>
</tr>
<tr>
<td>LOG-2-2-diagram3-Sourcing Process_large.png</td>
<td>Aug 07, 2015</td>
<td>Justin White</td>
</tr>
<tr>
<td>LOG-2-2-diagram3-Procurement-diag-Documentation-necessary-for-payments_large.jpg</td>
<td>Jun 19, 2015</td>
<td>Business admin</td>
</tr>
<tr>
<td>LOG-2-3-Grant Regulations- Admin Requirements-USAID.pdf</td>
<td>Jul 16, 2015</td>
<td>Business admin</td>
</tr>
<tr>
<td>LOG-2-3-PROCUREMENT-ECHO-Single Form for Humanitarian Aid Action.doc</td>
<td>Jul 08, 2015</td>
<td>Business admin</td>
</tr>
<tr>
<td>LOG-2-3-PROCUREMENT-GENERAL INFO-INCOTERMS-WV.pdf</td>
<td>Jul 16, 2015</td>
<td>Business admin</td>
</tr>
<tr>
<td>LOG-2-3-PROCUREMENT-GENERAL INFO-Types of Tender.pdf</td>
<td>Jul 16, 2015</td>
<td>Business admin</td>
</tr>
<tr>
<td>LOG-2-3-PROCUREMENT-GUIDE-Contracting tips and basic inclusions.pdf</td>
<td>Jul 16, 2015</td>
<td>Business admin</td>
</tr>
<tr>
<td>LOG-2-3-PROCUREMENT-Logs Preparedness and Response Check list-Procurement Guidance Note.doc</td>
<td>Jul 08, 2015</td>
<td>Business admin</td>
</tr>
<tr>
<td>LOG-2-3-PROCUREMENT-POLICIES-Procurement Professional Ethics.pdf</td>
<td>Jul 16, 2015</td>
<td>Business admin</td>
</tr>
<tr>
<td>LOG-2-3-PROCUREMENT-SAMPLE-Conflict of Interest Policy-WV.pdf</td>
<td>Jul 16, 2015</td>
<td>Business admin</td>
</tr>
<tr>
<td>LOG-2-3-PROCUREMENT-SAMPLE-Frame Agreements Invitation to Bid-WV.pdf</td>
<td>Jul 16, 2015</td>
<td>Business admin</td>
</tr>
<tr>
<td>LOG-2-3-PROCUREMENT-SAMPLE-Goods Received Note-WV.pdf</td>
<td>Jul 16, 2015</td>
<td>Business admin</td>
</tr>
<tr>
<td>LOG-2-3-PROCUREMENT-SAMPLE-Purchase Agreement-WV.pdf</td>
<td>Jul 16, 2015</td>
<td>Business admin</td>
</tr>
<tr>
<td>File Type</td>
<td>File Name</td>
<td>Date</td>
</tr>
<tr>
<td>-------------------</td>
<td>---------------------------------------------------------------------------</td>
<td>------------</td>
</tr>
<tr>
<td>Microsoft Word</td>
<td>LOG-2-3-PROCUREMENT-SAMPLE-Purchase Contract - Sample.doc</td>
<td>Jul 08, 2015</td>
</tr>
<tr>
<td>PDF</td>
<td>LOG-2-3-PROCUREMENT-SAMPLE-Standard Service Contracts For Use With USAID Funds-WV.pdf</td>
<td>Jul 16, 2015</td>
</tr>
<tr>
<td>PDF</td>
<td>LOG-2-3-PROCUREMENT-TEMPLATE-Hotel Booking Form-WV.pdf</td>
<td>Jul 16, 2015</td>
</tr>
<tr>
<td>Microsoft Excel</td>
<td>LOG-2-3-PROCUREMENT-TEMPLATE-Purchase Order 1.xls</td>
<td>Jul 08, 2015</td>
</tr>
<tr>
<td>Microsoft Word</td>
<td>LOG-2-3-PROCUREMENT-TEMPLATE-Purchase Order 2.doc</td>
<td>Jul 08, 2015</td>
</tr>
<tr>
<td>Microsoft Word</td>
<td>LOG-2-3-PROCUREMENT-TEMPLATE-Purchase Order 3.doc</td>
<td>Jul 08, 2015</td>
</tr>
<tr>
<td>Microsoft Word</td>
<td>LOG-2-3-PROCUREMENT-TEMPLATE-Service Order.doc</td>
<td>Jul 08, 2015</td>
</tr>
<tr>
<td>PDF</td>
<td>LOG-2-3-PROCUREMENT-TEMPLATE-Vendor Registration Form-WV.pdf</td>
<td>Jul 16, 2015</td>
</tr>
<tr>
<td>PDF</td>
<td>Source.pdf</td>
<td>Aug 07, 2015</td>
</tr>
</tbody>
</table>