

Procurement Principles

Procurement Principles in the Humanitarian Context

There are certain principles that govern the way in which a procurement activity is carried out. These principles are not random or chosen by chance; they are the result experience. Humanitarian actors can have a large financial impact on the contexts in which they work, and procurement plays a major role in that it has to do with the exchange of money, selection of providers, distributions in insecure contexts, and constant exposure to various risks.

A general series of principles have been developed that govern procurement actions, to which the procuring entities are strongly advised to adhere. The ultimate goal of these principles enacting an economic and efficient intervention with the best quality-price ratio.

Best Value for Money

- “ Best Value for Money (BVM) refers to the best combination available of monetary and non-monetary requirements that an organisation can get from its selection of suppliers. It does not mean to achieve the cheapest offer but to balance the attributes such as quality and availability according to the organisation needs ([ULS Handbook](#)).

The combination BVM speaks of are cost, quality and sustainability that best meets the organisation's requirements.

- **Cost** is understood as costs of the entire life cycle of the product or service. Total Cost of Ownership (TCO) takes into consideration not only the price but all the cost involved in buying and using a product over time.
- **Quality** understood as sufficient specifications to meet the organisation requirements.
- **Sustainability**, taking into account the economic, social and environmental impacts.

Those responsible for procurement should look for the lowest overall cost to get the best return of investment.

Competition

Supplier selection - and therefore the procurement of products and services - is based on a competitive process. That means that solicitation documents should be issued to several and different suppliers, enabling effective competition. Competition entails:

- Promoting a culture of neutral specifications (avoiding over/under-specification).
- Providing suppliers with adequate notification to ensure that there is sufficient time to participate in the procurement processes.
- Ensuring the comprehensive, impartial and timely evaluation of offers.

It is a good practice to give feedback to the non-successful bidders, explaining them the reasons for not being selected to allow them to improve their processes.

Transparency

Purchases are part of the joint action of many actors - headquarters, project managers, technical services, field staff, suppliers and communities. It is key that each party know the processes associated with achieving procurement objectives. Procedures should be shared

both inside and outside the organisation to ensure that each person or group can understand and question. Transparency does not mean that a humanitarian organisation loses independence, but rather that it can reason the actions and clarify guiding principles used in the purchase of goods or services.

Transparency is also an important part of security management, since a perception of partiality or lack of transparency could lead to threats or increase risk for teams in the ground.

Proportionality

It is strongly advised that control measures and procedures should increase proportional to the value the contract or procurement. The higher that value, the more measures, resources, and stricter procedures will be required. Inversely, if the value is reduced procedures should be more lax. This principle forms the base of different procurement procedures.

Fairness

Humanitarian aid organisations are generally important economic actors in the places in which they operate, due to the high volume of products and services involved in humanitarian operations. Normally aid organisations operate in very small or disrupted markets, so it is advisable to pay attention to the market assessments and keep it in mind in each context analysis.

Humanitarian organisations need to be aware of the local market composition and the different involved actors. When designing and implementing interventions, organisations should assess and analyse local markets and supporting supply chains in order to facilitate their recovery. All potential suppliers have the same tools and information to compete fairly; agencies must be clear in their requirements and criteria applied to all awarded contracts.

Segregation of Duties

“ Segregation of duties is a core principle of internal control and must be preserved in all procurement actions. According to the principle of segregation of duties, no single individual or team shall control all the stages of procurement process (WFP Goods and Services Procurement Manual, 2020).

For the sake of quality and control, segregating responsibilities during the purchase process helps not only to identify errors by adding review and oversight steps, but also limits the possibility of fraud. Having more than one person involved in the process also helps to protect those with procurement responsibilities from accusations.

A best practice might be the segregation of duties among persons with different points of view, knowledge and ideas. Decisions are more likely to be successful when everyone is informed and in agreement. The table below shows different examples on how to ensure the Segregation of duties:

The person to:	Should not be the only person to:
Request an article and/or fill the PR	Approve the Purchase Order (PO)
Execute the contracting/acquisition procedure	Approve the Purchase Order or the Contract / Framework Agreement
Select the supplier	Approve the Purchase Order or the Contract / Framework Agreement

Approve the Purchase Order (PO)	Receive the goods / services, e.g., Approve a Goods Receipt Note
Execute the contracting/acquisition procedure	Receive the goods / services, e.g., Approve a Goods Receipt Note
Receive the goods / services, e.g., Approve a Goods Receipt Note	Create payment request / Prepare Payment Package / Authorise payment

Source: Save the Children International. Procurement Manual 2.0 01.01.2020.