Procurement Process

In volatile context, with all the external and internal challenges and taking in consideration the capacity to impact the local market that the humanitarian aid has, is critical to have and implement standards over the whole process that could guide and ensure procurement principles are followed. Every coherent procurement process will have six basic steps.

1. Sourcing and Identifying Vendors
2. Product/Service Requisition
3. Solicitation
4. Evaluating and Awarding
5. Ordering and Contracting
6. Reception and Payment

Sourcing and Identifying Vendors

Procurement actions are based in a fair and transparent competition among different suppliers. Some form of market research should be done in order to collect information about the desired product and the potential suppliers that could potentially provide it.

> *Market research is used to identify suppliers, assist in the development of Technical Specifications, TORs and SOWs, ascertain freely available pricing information (e.g., company catalogues) and obtain information on available technology* (WFP Goods and Services Procurement Manual, 2020).

It is convenient to have a supplier database from which quotes are requested. If no such database exists, it is advisable to create one. A supplier database needs to be updated routinely, and agencies may look to platforms or sources of information such as:

- Specialized journals
- Chambers of Commerce
- Business meetings and seminars
- Professional associations
- External supplier rosters
- Online communities
- Yellow pages
- Search engine research
- Others

In the process of identifying suppliers, agencies may wish to follow a formal process. Many agencies issue official documents, including:

- Request for Information (RFI)
- Request for Expression of Interest (EOI)

These formal requests should be based on templates that will allow users to build a more accurate view of the product or service and their availability in the context of operation.

Product and Service Requisition

Any procurement for goods or services should be built upon needs. Once the needs are identified measured and planned by a team or individual within an agency, they should be formally communicated to the organisation´s procurement team, usually through a formally

defined a Purchase Request specifying:

- The requesting unit.
- The requirements, including the criteria for evaluation.
- The quantity.
- The Estimated cost or the maximum authorised amount to be spent (If possible).
- The delivery date and location.
- Confirmation that funds are available.

A key component of any purchase requisition should be the inclusion of technical specifications. There are many ways for suppliers to define technical specification. These might include:

Physical Goods	• Photographs • Material components • Performance needs (example: storage space of a computer, volume of a bucket) • Quality standards (example: ISO)
Construction	• Blueprints • Maps • Bill of materials / material construction components

In other words, the requester should provide all information and fill out forms as agreed during planning. If a pre-plan was not done, the request may have some delays while the feasibility is assessed.

The PR is usually the standard and official form to request a purchase. The PR is where the different members involved in the procurement process combine and validate the details, turning requests into actual procurement:

- The requesting unit undertakes that all information included in the PR is accurate and sufficient. Attaching detailed specifications if necessary.
- The procuring unit undertakes to provide the requested goods or services as established in the PR respecting quality, price and lead time.
- The financial unit undertakes to release the available funds.

One of the best ways to assure that each request is well presented, understood and agreed among all the units involved in the process is to create a coordination space to do it. The usual coordination tool is the implementation of a recurrent meeting between requesters, heads of unit, and the procurement team where the requests can be discussed and validated.

Solicitation

Once potential suppliers have been selected (or before launching an open bidding process), solicitation documents must be carefully prepared. The way offers are solicited and received impacts the rest of the process; there is an inverse and direct relationship between what is solicited and what is offered. Procurement teams will only choose from the options offered by the providers, but what is offered largely depends on how and what the providers have been asked to offer. Specifications of required products or services must be clear, and the terms of

the requested bid must be well defined.

Supplier selection criteria must be established and communicated clearly and in advance to suppliers, ensuring equal treatment. It is important to take time to establish and/or understand the selection criteria since the supplier selection criteria cannot be modified or changed, once communicated to the suppliers.

The documents involved in the solicitation process can be different depending on the type of competition that applies (see Procurement Procedures) and the nature and complexity of the good and services being procure. It is important that all documentation contains details on procedural, technical, financial and contractual components, which suppliers must follow when submitting their offers. These documents are based on templates, customised to fit the specificity of the procedure undertaken and completed with the details applicable to each solicitation.

In general, any Solicitation document, no matter the procedure, will contain:

What is Required	• Depending on the nature:
	  ◦ **For goods**; Technical specifications or statement of work (SOW) (Functional, conformance and performance Specifications for products).
	  ◦ **For services;** Terms of Reference (TOR) (background, objectives, deliverables, standards to be met, performance evaluation method, timelines, etc.).
	  ◦ **For construction works or services;** Statement of works (SOW) shall provide all information required to allow the contractor to undertake the works (e.g., location, time schedules for the execution of the works, relevant information about the construction site and other technical requirements that are deemed necessary).
	  ◦ Quantities
	• Expected Delivery Conditions; times, locations, Incoterms

Instruction to suppliers	• Instructions for preparation and submission, submission language. • Timing: deadline for submission, offer validity and expected award times. • Details of pre-bid where applicable. (meetings/site visits, and/or samples/ demonstrations). • Provision of prototype samples of products were required. • Method of evaluation and evaluation criteria, including permitting third-party inspection companies where required. • Payment terms. • Contact information.
The applicable Terms and Conditions	• Ethical policies to be adhered by the supplier. • Special conditions applicable as; Termination; Trade Terms; Inspection; Warranties; Rights and Obligations; Remedies; Subcontracting; etc.

The solicitation document must to be distributed simultaneously among the pre-selected suppliers with sufficient time to analyse and properly build offers. The solicitation document could contain a standard submission format facilitating the comparison among the offers during the evaluation phase.

Material Specifications

When soliciting material goods, it's advisable to include as much technical information as possible about the material specifications, laid out in a clear and transparent format that is easy to understand but difficult to misinterpret. Material specifications might include:

- Unit measurements (weight, volume).
- Packaging measurements (weight, volume).
- Colouring/Visual appearance.
- Chemical composition.
- Conformity to specific ISO standards.
- Strength/durability.
- Packaging and handling specifications.
- Branding and marking specifications.

Following Specifications Throughout the Procurement Process

These material specifications should be included in:

Solicitations - The more detailed the specifications, the more accurate the returned bids will be. Detailed specifications will help eliminate vendors that are unable to meet the specific requirements, but will also encourage vendors to only commit to what they know is possible.

Contracts with suppliers - Material specifications included in contracts will legally hold vendors to the standards set by their bids. The material specifications in contracts should match the specifications provided in the bid process.

Instructions to third-party inspection companies - Once a vendor is selected, and a contract agreed upon, third-party inspection companies can be used to test products against the contracted material specifications. Inspection companies may use visual inspection or laboratory testing to confirm all material specifications are met. Many agencies prefer to receive prototype samples of items prior to the final order, and conducting inspection at multiple points throughout the entire process. Purchasers may also chose to withhold payment until the final inspection is complete.

Specification Types

Detailed specifications will vary depending on the item in question, the agency, the size of the procurement, and the market supplying the product.

Item Type	Some products with well established designs - such as machine parts - might require less spelled out specifications, and might rely more on specifying product capacity or functionality. Other products frequently used by the humanitarian sector - such as household products - are far more defined by specific needs, and are often combined with mutually recognised standards such as SPHERE. Though humanitarian agencies may have specific needs, the global understanding of those needs among vendors may not be well understood. For this reason, specifications for products specially developed or used for humanitarian interventions tend to be more explicit - usually the product is "developed" along side the vendor to match the purchasing agency's needs.

Agency Needs	Humanitarian agencies purchasing a small quantity of an item, or that buy already standardised products may have very little need to explicitly state product material specifications. However, agencies that purchase large quantities of one type of special product from a long term supplier or limited series of suppliers are more likely to have more advanced material specifications in their contracts. Detailed product specifications will help vendors source the correct raw materials, and will help keep quality assurance up.
Markets	Commonly used large international vendors are usually more likely to be able to meet detailed product specifications requested by humanitarian agencies. The manufacturing capabilities and raw materials available to local companies may not meet the overall requirements of the requesting agency for key relief items. The balance between international and local procurement is something agencies must weigh, depending on local laws, import and transport costs, the ethics surrounding procurement, the desire to support local markets, and overall project needs.

Many large agencies that regularly procure typical relief supplies have material specifications readily available, including the ICRC/IFRC Catalog and the Oxfam Supply Center. These material specifications are useful as a reference point for any agency that wishes to enter into contracts for emergency relief supplies.

Example Material Specifications:

BLANKET, SYNTHETIC, 1.5x2m, high thermal	
Samples for testing purpose	Samples of blankets must be from compressed bales. All criteria to be passed on the same sample. (Samples of compressed bales to be prepared with only 5 blankets folded once more than in normal bales, at 60% compression ratio, and to remain compressed for one week minimum before testing).
Make	Knitted or woven, dry raised both sides. If any, inner layer can be non-woven type.
Content ISO 1833 on dry weight	100% pure polyester and/or acrylic fibres or polyester/cotton
Colours	Other than black, red, or white, dark uniform colour.
Size	150 x 200cm +3%/-1%. To be taken on flat stabilised sample, without folds.
Weight	500g/m2 minimum maximum 1000g/m^2 weight determined by total weight/total surface.
Thickness ISO 5084	9.5mm minimum (1KPa on 2000mm^2)
Tensile strength ISO13934-1	250N warp and weft minimum

BLANKET, SYNTHETIC, 1.5x2m, high thermal	
Tensile strength loss after washing ISO13934-1 and ISO 6330	Maximum 5% warp and weft after 3 consecutive machine washing at 30°C and one flat drying.
Shrinkage maxi. ISO 6330	Maximum 5% warp and weft after 3 consecutive machine washing at 30°C and one flat drying.
Weight loss after washing	Maximum 5% after 3 consecutive machine washing at 30°C and one flat drying.
Thermal resistance ISO 11092	Rct= 0.40m².K/W minimum, rounded to the nearest 0.01, passed on samples picked from compressed bales. Mechanical conditioning: after opening of the bale, the blanket shall be dry tumbled in a dryer (500l minimum capacity) without any other load for 15 minutes at a temperature of less than 30°C. Then, the blanket shall be conditioned for at least 24 hours by flat lying at ambient conditions (20°C and 65% Relative Humidity).
Resistance to air flow ISO9237 under 100Pa pressure drop	Maximum 1000 L/m²/s
Finish	Whipped seam at 10mm from the edge with 10 to 13 stitches/10cm or stitched ribbon or hemmed on 4 sides. Corners can be round up to 10cm radius, or square.
Organoleptic test	No bad smell, not irritating to the skin, no dust. 4<pH<9. Free from harmful VOC (Volatile Organic Components). Fit for human use.
Fire resistance ISO12952-1	Resistance to cigarette - No ignition
Fire resistance ISO12952-2	Resistance to flame - No ignition
Primary packing	No individual packing of the blanket, in order to reduce plastic wastes in the environment.
Packing	• Bales to be wrapped in a water-tight micro perforated plastic film and covered with a polypropylene or jute woven bag. • Quantity per bale: 15 pieces. • Compressed and strapped with 5 straps (2 lengthwise, 3 crosswise). • Bales dimensions: Length 85cm +/-5cm, Width 55cm +/-5cm, Height 75 cm +/-5 cm (height of the bales to be compressed by maximum 60% from free state to final compressed and strapped state)

BLANKET, SYNTHETIC, 1.5x2m, high thermal	
Marking on the blanket	Every blanket should include a tag, stitched in the hem. The tag should include the manufacturer's name, a unique reference batch number and the date of manufacturing. No company logo should be included with the manufacturer's marking.
Marking on the package	BLANKET, SYNTHETIC, 1.5x2m, high thermal – 15 pieces. Other markings as specified in contract.

Source: ICRC/IFRC Standard Products Catalogue

Evaluation and Awarding

Many agencies may choose to use what is known as a bid evaluation committee/panel to properly facilitate the process of analysing and scoring incoming offers in a fair and transparent way. After properly recording every step undertaken during solicitation process, and before bids are open, the evaluation committee/panel will join together to study the offers. An evaluation panel composition could be as simple as two people (requester and purchaser) performing and informal evaluation or be regulated formally and integrated by teams of different departments. No matter the value of the procurement or procedure followed, there should always be a set of people to respect the segregation of duties principle. In the case of the most restrictive procedures, it is common to form evaluation teams at the very beginning of the process, formalising the process by signing a "Declaration of Objectivity and Confidentially" and /or a "Disclosure of Conflict of Interest".

The offers should be evaluated using the criteria and specifications of previously communicated PRs/bid solicitations, or any other part of the process prior to receiving bids. Common offer evaluation criteria might include:

- Competitive prices.
- Ability to meet specifications and standards.
- Product availability and ability to meet the requested delivery date.
- Product and service quality.
- Performance and durability of products.
- Reliable delivery methods.
- Quality control methods and practices.
- Technical and leadership skills.
- Ability to provide niche or unique products and / or to design concepts.
- Financial stability and credit.
- Payment conditions / requirements.
- Compatibility with existing products.
- Distribution / storage facilities and adequate resources.
- Availability of spare parts.
- Guarantee, insurance, and supply commitment.
- Proven ability and experience.
- Availability of service support resources.
- Previous experience and demonstrated performance in supplying the products / services to be purchased (to be verified in previous certificates of compliance. So, "bad past experiences" must be documented).

- Security.

All evaluation criteria should be:

- **Objective** - criteria that are verifiable and designed to measure facts rather than assumptions and promises from the supplier. Objective criteria are tangible, with little likelihood of being construed differently by different suppliers.
- **Unambiguous** - there should be no confusion or overlap in the criteria selection, description and evaluation.
- **Reliable** - clear and measurable criteria that can be evaluated consistently across multiple submissions and evaluators.
- **Fair** - criteria that does not unduly exclude suppliers from the procurement or give undue advantage to a specific supplier.
- **Balanced** - criteria with appropriate and defensible when viewed objectively in the context of the procurement action.

During the evaluation process, it is necessary to balance various tangible and intangible factors, some of which may conflict with each other. Methods for determining the extent to which a potential supplier can meet the criteria include:

- Visits to the supplier by the management and/or evaluation team (to visit the factory, warehouse, stock, production equipment and supplier equipment).
- Confirmation of the status of the quality system, either through an on-site assessment, a written report, or by requesting a quality system registration certificate as ISO certification or any other.
- Conversations with/recommendations from other NGOs served by the provider.
- Obtaining financial reports available to the public (available in some countries) and checking negative files.
- Evaluation (through laboratory tests or validation tests, for example) of samples obtained from the supplier. (see Quality Assurance)

To be able to present the evaluation results, is common practice to make a summary document, either in the form of a comparative table or a full report that has be signed by all the member of the evaluation panel. Any summary document must have a reasoned recommendation on the supplier selection and contain as many explanations as necessary about this selection.

Once the proposal to award a supplier has been validated, the selection of the suggested supplier should be validated by the requisite internal approval process of the agency. The award decision should be communicated to the winning supplier, and unsuccessful suppliers shall be notified establishing a mechanism able to debrief them and take note of any possible complaints.

Ordering and Contracting

Each order has to be formalised through a contract, Purchase Order(PO), or other official award document.

- **POs** are a financial commitment that confirms the purchase details (Units, quantity, price, delivery time and Location, etc), formalising the order. The PO is used for simpler orders, one-off purchase and smaller amounts, where there is no need to define any complex situation, and/or where the purchase represent low risks for the organisation.
- **Contracts** are legally binding agreements between the organisation and the suppliers. They define the Terms and Conditions for the goods and services provided, as well as the

signatories related rights and obligations. Contracts are used when there is a need to specify the conditions in a complex order (partial deliveries, different timings or location, special conditions of the product, high financial volume or potential risk for the organisation, etc) and always for a work or a specialised service.

Hay una variedad de formatos y tipos de contratos utilizados para diferentes tipos de servicios y bienes, y diferentes plazos de entrega. Una lista de algunos de los tipos más comunes podría incluir:

Cost-plus contract	A buyer agrees to reimburse a seller for expenses it incurs when completing work. This contract type is common where expenses relating to the completed work can vary.
Cost-reimbursement contract	When the buyer and seller agree to a total amount, usually paid at the completion of a project or at another specified date. The seller typically provides an estimation of total costs, which is what is communicated to the buyer in the form of a budget. In the event the seller reaches the total cost before completion they may seek approval from the buyer to continue with the project or cease work. Additional costs, or materials or activities outside of budget would require a contract modification to continue. This type of contract might be necessary when cost flexibility is a requirement for a project, or if the scope of work is difficult to determine or if the project itself is at high risk. This type of contract is common for a sub-contracted service, such as a fully managed warehouse.
Fixed-price contract	An agreement between the buyer and seller to pay a specific amount of money for determined goods or services. The cost of the goods or services remains the same, regardless of how long it takes to complete or provide them. This type of contract is typical for securing air or sea shipments.
Time and materials contract	An agreement whereby a buyer agrees to pay a seller for the time the seller spends on the project and the expenses the seller incurs throughout the project. This type of contract is common for construction projects.
Unit price contract	An agreement between a seller and buyer to pay for a project by units of the job, such as specific duties or a specific product. If the seller is providing a service, the seller breaks the project up into units before beginning to work on it. Unit price contracts can establish a baseline for a product or service, but not define the number of units, or even necessarily the time frame over which the units will be purchased. This type of contract is common for buying stand-alone units of a specific product, such as a physical good or a single commonly obtained service.
Aleatory contract	An agreement between parties to perform a service or provide a product if a certain event occurs. The parties only have the obligation to fulfil the action if the pre-determined event happens. The type of contract is common for insurance policies.

Of the contract types, contacts can generally be broken down into two categories:

Bilateral contract	An agreement that binds two or more parties to mutual obligations. It can occur when a buyer and seller make an exchange of commitments to supply a product or perform a service. Both parties agree to the contract, and they make promises to perform a certain action.

Unilateral contract	When one party of the agreement makes a commitment to perform a certain action. The other party doesn't make a commitment to the agreement, so only the offerer has a contractual obligation.

Some agencies my prefer the use of some form of a Long-Term Agreement (LTA), where by a supplier is pre-vetted using a standard solicitation process, but has an open-ended contract for delivery of goods and services. Requesting agencies holding LTAs with vendors can use simple notifications for procurement needs, such as a PO, specifying units, quantities, delivery details, and other important information. The theory behind an LTA is that a single supplier used for routine procurement can be competed and vetted once in a pre-set period of time instead of having to bid every time.

The act of signing the PO - and the organisation´s Terms and Conditions - by the supplier makes the PO become a simplified contract. An organisation should establish a threshold beyond which the relationship can no longer be formalised through a PO and a contract becomes necessary. Irrespective of the procurement method, each organisation´s Terms and Conditions (TC) must be applied, and it is advisable to attach TCs to all contracts and POs.

Reception and Payment

The order documents (PO or contract) must clearly indicate the delivery conditions. Delivery conditions detail who will assume responsibility for moving goods, when and where the responsibility for the products is transferred, and all the necessary details to plan transport and logistics.

> *Delivery planning involves the review and consideration of all logistics related aspects of the procurement process. It starts at the needs assessment phase by considering the desired result of the Requesting Unit and the end user and identifying the actions needed to ensure the successful completion of the activity.* (WFP Goods and Services Procurement Manual, 2020)

The transfer of responsibility between the seller/carrier and the agency is an important moment in the procurement process. The transfer of responsibility can be done at the manufacturer/seller premises, or be undertaken fully by the supplier who will be responsible transporting the cargo to the agreed destination. An agreed destination can be either an agency's premises, warehouse, or in special cases directly to the beneficiaries. The most standard used method of defining the method and location of the transfer of responsibilities is through defining Incoterms in the procurement contract. Incoterms are only applicable for international procurement however, so the transfer of responsibility in domestic procurement may need to be spelled out explicitly. In every case, the transfer of responsibility has to be clearly recorded through the standard set of shipping documents.

For simpler deliveries, or when the supplier delivers to final destination, is common to use a Delivery Note that must contain at least:

- The name and contact details of the seller.
- Name and contact details of the purchaser.
- Date of issue.
- Date of delivery of the goods.
- A description of the goods contained in the order.
- The quantity of each type of goods.

When goods are delivered, the recipient should perform a physical inspection of the packages against all delivery documents to ensure that they fully conform to the requirements of the contract, by checking:

- **The Quantity -** That the number received is the same as the one written in the documents and correspond to number requested in the PO.
- **The Quality -** That the product received is in the conditions mentioned in both the shipping documents and matches what was defined in the procurement contract, is not damaged and corresponds to the ordered specifications.

If any discrepancy is found in the quantity or quality, it should be recorded in writing on the delivery documents. Without written statement taken at the time of delivery it will be very difficult to claim later the products did not conform to the order.

The transfer of responsibility becomes effective when the representative of the organisation signs the Delivery Note. The signed Delivery Note, the PO and the Commercial Invoice will be the minimum mandatory documents to process payment. In the case that the supplier/carrier is not able to provide any delivery document nor even a Delivery Note, agencies may wish to create and sign a Goods Received Note (GRN), formalising the transfer of responsibility of cargo and stating any discrepancies. Agencies generating their own GRNs should still request the delivering supplier or the supplier's duly appointed transporter to countersign.