

Procurement

It is common to see the procurement as a bottle neck and a time-consuming activity, usually associated with delays and strict bureaucracy. However, procurement activities can be agile and practical if agencies understand the roll that procurement plays, why it exists, what the guiding principles are, and how to manage procedures. Through procurement activities agencies acquire the needed supplies and service to perform our daily organisational activities.

Definition

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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 ("Global Logistics and Supply Chain Management," 2008).

It's important to note that procurement is not a single action but a process; a series of activities aimed at meeting the needs of humanitarian projects as well as our operation in general. This process is standardised in such a way that it can be replicated regardless of the place, time or context. At the same time the process should be flexible enough to encompass each of the different challenges that the purchasing manager faces.

The words purchase and procure are frequently used interchangeably; while common using the two words interchangeably is not necessarily accurate. Purchasing is just a part of the procurement process, an important one, but only the specific function associated with the actual buying of goods and services from suppliers. For the sake of this guide, procurement and purchasing will be differentiated along these lines.



Common Terms in Procurement

Evaluation Committee/ Panel	A committee made up of an odd number of members (at least three) with the necessary technical and administrative expertise to give an informed opinion on tenders or grant applications.
BVM	Short for “Best Value for Money”; the best combination available of monetary and non-monetary requirements that an organisation can get from its selection of suppliers.
HPCs	Short for “Humanitarian Procurement Centres”. Are not-for-profit organisations specialised in the technical and commercial management of supplies and services necessary for the implementation of humanitarian actions. They can provide technical assistance in procurement or supply pre-established stocks, purchasing or logistics capacity
ISO	Short for “International Organisation for Standardisation”. An independent entity that has been thinking and standardising the formulas that describes the best way of doing something.
Certification	Guarantee that a product and/or company has followed a quality process.
Lead time	The time between initiation of the acquisition of the goods and services up to the time of delivery.
Market Analysis	An essential component of context analysis, collecting information that will be useful to program the intervention and how to implement it.
Market Research	Activities and means to identify suppliers in a specific market.
Negotiated Procedure	Procedure without prior publication of a procurement notice, in which the Contracting Authority consults the candidate or candidates of its choice and negotiates the terms of the contract with one or more of them.
Procurement	The process of identifying and obtaining goods and services
Purchase	The specific function associated with the actual buying of goods and services from suppliers.
QA	Short for “Quality Assurance”; A procedure to ensure the quality of products or services by preventing mistakes and defects in manufactured products and avoiding problems when delivering products or services to beneficiaries.

QC	Short for “Quality Control”; checks to ensure quality in a product or a service.
Quality	All the elements and characteristics which constitute the product and which contribute to its compliance with the defined technical specifications.
Sourcing	Identifying and working with appropriate suppliers.
Services	Intellectual and non-intellectual services.
Segregation of Duties	Principle by which must have more than one person to complete a procurement activity.
TCO	Short for “Total Cost of Ownership”; Cost involved in buying and using a product over time.
Tender Procedure	The overall process of putting a contract out for tender, starting with the publication of a procurement notice and ending with the award of the tendered contract.
Works	The design and/or the execution of a rehabilitation, construction, etc. in accordance with the previously specified requirements.

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

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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

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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.

Ethics

Humanitarian aid has evolved its own defacto code of conduct. This set of principles has led to the development of multiple norms, or even rules, that agencies observe while implementing programs. There are - for example - codes of conduct, which are understood and signed by all employees which may include rules that humanitarian staff:

- Do not use their authority or status for personal gain.
- Maintain a high level of integrity and ethics in business relationships.
- Use the resources and assets of the organisation responsibly.
- Do not accept personal gifts from suppliers or engage in any other anti-competitive conduct.
- Act and behave in a professional manner as representative of the organisation and donors, and avoids anything that could bring discredit to the organisation or donors.

When possible it is best practice to include ethical requirements in published tenders, and use ethical requirement compliance as part of the selection criteria. Frequently suppliers do not have standard certifications, nor are they used to complying with ethics standards, which is why it is important to conduct a good market analysis. It is

also important to conduct regular visits to suppliers' premises to evaluate their ways of working.

Standards, Protocols and Controls

Each organisation should establish controls to manage and react to misconduct. Applying standards and protocols in relevant ways and in specific operational contexts is an ongoing challenge for humanitarian organisations. These principles of action are usually understood as a guide, and may include the following:

- **Humanitarian responsibility** - "Do not harm" (prevention of negative impacts, we are guests, respect local cultures).
- **Protection of victims** - Presence with the victims as protection.
- **Collaboration with stakeholders (local, international)** - Exchange know-how, optimisation of resources, empowerment, sustainability.
- **Commitment to improve the education and training of teams (national staff) and beneficiaries.**
- **Prioritisation of the most vulnerable groups.**
- **Maximum beneficiary participation.**
- **Respect for the environment** - Environmentally friendly technical solutions, research and development, impact analysis, community awareness.
- **Integrated approach to interventions/Coordination with other organisations.**

To guide and enforce these principles, specific policies should be drafted, addressing each issue in depth, explaining the why and how, and establishing corrective measures. Among the most common internal policies are:

- **“Whistle-blower” Protection Policy:** Protection against retaliation for reporting misconduct and for cooperating with duly authorised audits and investigations.
- **Policy on Harassment, Sexual Harassment and Abuse of Authority:** ensuring that all its workplaces are free from abuse, offensive behaviour, harassment, abuse of authority and discrimination. This also includes promoting a work culture in which every employee understands, and is able to carry out, his/her personal responsibilities for maintaining the dignity of work colleagues.

It is not necessarily enough to ensure that these principles are respected internally; they have to be enforced in the relation with third parties. To facilitate this, it is common for contracts to include specific policies third parties should adhere to. Examples of these policies are:

- Anti-Fraud and anti-corruption policy.
- Prevention against child-labour.
- Prevention against modern slavery.
- Waste management best practices.
- Anti-terrorism.

These policies and feedback mechanisms may also be included or referenced in the Terms and Conditions (TC) attach to any PO, allowing the suppliers to understand their obligations and inform agencies about any potential problems.

Conflicts of Interest

Conflict of Interest can be defined as any actual, perceived or potential incompatibility between an employee's private interests and either his/her official duties or the interests of the organisation. A conflict of interest may include, but it is not limited to:

- An employee, directly or indirectly, appears to benefit improperly from a procurement activity.
- A third-party benefits improperly from his/her association with an employee.
- Any person within an organisation holds a financial interest in an enterprise that engages in any business or transaction with the organisation.

Examples of Conflicts of Interest:

- Accepting gifts from individuals or external entities with which the organisation has a relationship, including vendors, consultants and governments.
- Accepting entertainment from individuals and organisations which seek to do business with the organisation or influence it.
- Supporting an external organisation through your work, major financial donations, or by lending your name or reputation to an effort.
- Using the reputation of the organisation for personal benefit.
- A direct financial or family relationship with individual or external entities with which the organisation has a relationship.

Best Practices

Aid agencies are encouraged to introduce and follow best practices throughout the procurement process. A general table of accepted best practices can be seen below:

Ares of Best Practice

Example

Individual Behaviour.

- Respect organisation's rules and regulations
- Always bear organisation's interest in mind
- Apply principles of professionalism, efficiency and integrity
- When managing a contract, balance the need to get the supplier' trust with the one of keeping distances
- Refrain from sharing confidential information
- Act in the interest of the organisation but taking into account rules and procedures
- Try to understand the "spirit of the law" and what the rationale behind the rules is
- Be alert about potential "red flags"
- Openly discuss whenever facing difficulties
- Share procurement knowledge within your unit
- Increase the awareness of ethical values in your unit
- Ensure compliance with correct procurement procedures.
- Increase your knowledge of procurement rules and procedures
- Be aware that there are many documents that might help you to deal with "grey areas"
- Be sure to document and file any deviation from the correct rules
- Set a good example
- If in doubt: ask!

Working Practices with Suppliers.

- Business should be conducted during normal working hours
- Meetings with suppliers should be with minimum two organisation staff members
- Suppliers should not be invited to organisation staff offices but to the cafeteria or meeting room
- Meetings should have an agenda and minutes
- Ensure sufficient distance when working with suppliers, especially when the same one for many years
- Make sure you are aware of relevant policies and how to apply organisation's ethical principles in your work

- "I have to cut corners to meet my goal."
- "I lack the time/resources to do what is right."
- "My peers expect me to act this way."
- "My superiors want results."
- "I don't think it is really wrong or illegal."
- "Others would think that it is a good choice."
- "No one will ever know the difference."
- "I am afraid to do what I know is right."
- "This is how it has always been done."
- "Let's be practical."

- Deviations from correct procedures
- Poor record keeping / Missing files
- Excessive secrecy
- Reluctance to delegate
- Protective of certain suppliers
- Resistance to audit
- Unnecessary meetings with suppliers
- Overcharging by the supplier

Avoid excuses among team and employees. Ethics is about doing the "right thing" even beyond the workplace. It is important to be vigilant and not relax working behaviour.

Watch for Red Flags. look for possible symptoms of unethical behaviour and watch out for.

Procurement Planning

Market Categories

The concept of "market categories" allows a more structured way of compiling and combining purchases due to their nature and specifics, and to ensure that the procurement principles are followed while facilitating the procurement process by establishing standards and tools. In addition, it is possible that the different market categories could have different thresholds. In general, there are four main categories or "markets" humanitarian organisations work with, however variations and additional categories can and do exist.

The goods or supplies category includes the purchase of tangible items and/or their interrelated sets. In general, a market is considered as goods/supplies when there is a transfer of ownership of tangible products.

A product is defined by two elements:

- Technical specification or detailed description (including images if necessary)
- Purchase Unit (Kg, Lt, piece, etc)

Goods/Supplies

All the costs associated to production, preparation, installation, maintenance and disposal related to the purchased products (total cost of ownership), can be considered as part of goods market if the additional services have been procured, delivered and invoiced together and as long as these costs remain lower compared to the total purchase cost.

The typical purchases in the goods market are include food, tools, construction materials, office supplies, equipment, etc.

Construction/maintenance is a market category that includes the design of the work and/or its execution in accordance with the previously specified requirements.

Construction/Maintenance

Construction/maintenance procurement and monitoring procedures usually includes visiting the place where the works should be performed with potential contractors, allowing them to better understand what is needed and the requirements in order to make a more accurate offer. As the works usually takes time to be finalised, an execution timeline must to be included in the plans as well as moments where inspection visits have to be performed.

Common examples are; a building rehabilitation (in full or part), any kind of construction, road sections, etc.

The services market category includes the intellectual and non-intellectual services that do not fit in goods and works markets definitions. Evaluations, technical assistance, or any other activity not involving the transfer of a tangible product are considered as a service.

Services

Under this market its possible to hire the services of dispatchers, lawyers, consultants, translation services, transport, etc.

Property/Rental markets refer to the rental of real state, whether land or buildings, regardless of their purpose. This market possesses certain characteristics that makes the sourcing and selection process slightly different from the other markets:

- Property/Rental**
- There are no suppliers or provider but landlords.
 - There is no transfer of ownership but right of use for a period of time.
 - There are specific laws applying to property.

The complexity of the property market means it is difficult to measure two or more premises exactly by the same criteria. While there are some similar comparable aspects such as the location, the structure, the internal distribution, security considerations, makes the selection process more complex. Logistics personnel associated with procurement must evaluate the local market (actively) and choose the more economical option that fits the initial requisites as much as possible.

Procurement Strategy

Any procurement strategy must observe the core procurement principles established by an organisation and should incorporate different procurement plans for programs or projects where needs are pre-identified. Agencies should know what, where and when supplies are needed and choose a supporting supply strategy, paying attention to the total cost of ownership (e.g., initial purchase, shipping, operation, maintenance and disposal costs), the special field conditions and the actual ability to acquire and deliver materials and services needed. If agencies do not approach procurement strategically, they run the risk of not being able to accommodate all needs, fail to comply with budgetary restrictions, and run financial, reputational or even security risks.

A strategy has to be flexible and ready to be revised with changing conditions, changing requirements, or changes in the context surround the organisation. Each intervention must to have a separate procurement plan that reflects the minimum information on the anticipated needs, allowing:

- Improve sourcing and thereby increase competition.
- Mitigate the risk of redundancy, reducing transaction costs and prices through the consolidation of procurement actions.
- Increase the efficient use of resources by avoiding last minute actions.
- Prevent non-compliance with regulations, rules and procedures due to oversight or time constraints.

Procurement plans are the basis of any procurement process - they must be prepared before the start of any action, program or project, and must be based on analysis of budget, beneficiary numbers and activities. The exercise is a common effort among all the participants, including project and programme staff, logistics personnel involved in procurement, and finance staff who control budgets. The plan should formalise the following details:

- Description of goods/services to be procured.

- Estimated costs and quantities of the needed goods and services.
- Categories of goods and services.
- Solicitation methods.
- Target delivery dates (timeline/schedule).

It is possible that aid organisations cannot not foresee all needs throughout the project duration, and that any given plan may undergo major or minor modifications due the changing conditions. There are usually recurring requirements that can be anticipated, however, and there are some reasonable estimates that can be based on past experiences from where planners can extract information.

It is key to clearly define the requirements for every needed good or service at the planning phase. This enables persons enacting procurement to better understand the function, performance and technical specifications that will be required to cover the requester needs, how to determine the best solution to fit them, and how to establish the evaluation criteria to assure the quality standards.

Documentation

Common Documents in Procurement

The following documents can have different names in each organisation.

Procurement Process Step	Acronym	Document's Name	Definition
Sourcing	BOQ	Bill Of Quantities	A document used in tendering in the construction industry in which materials, parts, and labour (and their costs) are itemised.
	EOI	Request for Expression Of Interest	A formal notification aimed at determining the capacity, interest, and availability of potential suppliers in the market to deliver the goods and services required.
	RFI	Request For Information	Is used to supplement the writing of the technical annexes to the solicitation documents and ensure those are accurate and have a comprehensive set of requirements.
Requisition	PR	Purchase Request	The standard and official form to request a purchase.

Procurement Process Step	Acronym	Document's Name	Definition
SOW		Scope of Work	<p>SOWs can be used for different contexts:</p> <ul style="list-style-type: none"> • SOWs can be used in all types of civil, mechanical, electrical or other engineering/installation services for works, as well as the supply of construction materials and equipment included therein. It provides all information required to allow the contractor to undertake the works. • SOWs also are used for detailed product specifications, utilised when organisations need to be highly involved with the product development process, including detailed material specifications.

Procurement Process Step	Acronym	Document's Name	Definition
TOR	Terms of Reference		A description of the work to be performed, the level of quality and effort, the timeline and the deliverables, used to define the performance requirements for services that cannot easily quantified.
			A document drawn up by the contracting authority setting out its requirements and/or objectives in respect of the provision of supplies, specifying, where relevant, the methods and resources to be used and/or results to be achieved.
Solicitation	RFQ	Request For Quotation	A written request made to suppliers for the purchase of goods or services, up to a maximum value established by the organisation.
	ITB	Invitation To Bid	A letter sent to selected candidates in a restricted procedure or competitive negotiated procedure inviting them to submit a bid. This term is use interchangeably with “RFQ” in this guide.
	RFP	Request For Proposal	A written request made to suppliers for complex purchase exceeding the maximum value established by the organisation. This term is use interchangeably with “Tender Dossier” in this guide.
	-	Tender Dossier	The dossier compiled by the Contracting Authority and containing all the documents needed to prepare and submit a tender.
Evaluation	ET	Evaluation Table	Tool aimed to compare the different bids received and present them in a Comparative Table.
	-	Tender Report	Document where present every detail about a tender process, including a comparative table and a reasoned proposition to award the contract
Ordering and Contracting	PO	Purchase Order	A financial commitment that confirms the purchase details (Units, quantity, price, delivery time and Location, etc), formalising the Order
	TC	Terms and Conditions	The applicable rules governing the purchase of a product, service or works.

Procurement Process Step	Acronym	Document's Name	Definition
-	Contract	Legally binding agreement between the organisation and the supplier. It defines the Terms and Conditions for the good and services provision, as well as the signatories related rights and obligations. (see Contracts).	
LTA or FWA	Long-Term or Framework Agreement	A contract concluded between a Contracting Authority and an economic operator for the purpose of laying down the essential terms governing a series of specific contracts to be awarded during a given period, in particular as regards the duration, subject, prices, conditions of performance and the quantities envisaged. (see LTAs)	
	DN	Delivery note	Documentary proof that the supplier commitments have been fulfilled.
Reception	RN	Reception note	Documentary evidence of the transfer of responsibility of a cargo.
	-	Commercial Invoice	A document that state the parties involved in the transaction, describe the goods purchased and indicate their value.

Documentation Management

Each specific purchase will need to be in compliance with each organisation's own procurement procedures and donor requirements. Every procurement process must be justified and thoroughly documented, having its own dossier containing all the documents related to a procedure. A procurement dossier can be thought of as a set of documents that justifies the steps taken in a particular procedure. Not all dossiers will be the same in volume and complexity, but all dossiers should be preserved for later use.

A proper filing system ensures that records are properly maintained during a fixed period of time for internal and external use.

- **Internally** - An adequate filing system increases efficiency and reduces wasted time during the preparation of reports and audits. The appropriate file reflects the principles of the Organisation and provides Professionalism and Transparency.
- **Externally** - The organisation is responsible for justifying the acquisition, use and disposal of materials, services, equipment, etc. to donors.

A filing system has no value if the documents are not duly completed and signed. Only employees to whom such responsibility has been formally assigned should be authorised to sign documents. Those employees must understand the meaning of their signature in terms of their responsibilities and consequences for the organisation. Files must be kept for months or years, depending on donor requirements or internal audit guidelines.

Standardisation Tools

Codes

Most of the forms handled by logistics personnel have or should have specific codes (references) that allow them to be connected and subsequently tracked. Typically, a form includes its own reference for easy identification, as well as one or more references to link it to the other documents. Forms are filed according to their references, and the proper use of references has a direct impact on the archive. When someone (internal or external) needs information about the history of our operations, the correct use references (encoding) facilitate access.

These codes might include information about the country, the office and the department requesting the purchase plus a running number.

As an example, a purchase requisition for the logistics team in Rome, might follow the below convention.

Unique Number Document Type Country Sub-office Department

1234 PR IT RM LOG

Purchase Requisition "Italy" "Rome" "Logistics"

When written, the code might look like:

"1234/PR/IT/RM/LOG"

This short hand code will allow any person to quickly identify documents and know at least some level of information about the document. The order types of information are specific to the agency managing the files, however. Some agencies may wish to use the date as a unique code, while others may choose to use a running number sequence. Also - some agencies prefer to have unique number sequences for each document type (PR/PO) while others may want to have singular numbers that do not change throughout the different documents within the dossier. The need for each will be specific to individual agency's needs.

Labelling

Large volumes and types of documentation are common in emergency response. Labelling each folder and/or box in the most harmonised way possible with the thought process of who will coming after the initial response phase is important. The common archiving approach allows documents to be tracked more easily, while also allowing sensitive files to be identified faster in an emergency. All related folders must be clearly labelled and separated using a colour, number, or other identifiable pattern, and stored in a safe, dry and secure location. Electronic filing systems should match paper files.

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.

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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:

- 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

What is Required

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

***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 of blankets must be from compressed bales.
Samples for testing purpose	<p>All criteria to be passed on the same sample.</p> <p>(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).</p>
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/m ² 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
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	<p>$R_{ct} = 0.40 \text{ m}^2 \cdot \text{K/W}$ minimum, rounded to the nearest 0.01, passed on samples picked from compressed bales.</p> <p>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).</p>
Resistance to air flow ISO9237 under 100Pa pressure drop	Maximum 1000 L/m ² /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	<p>No bad smell, not irritating to the skin, no dust. $4 < \text{pH} < 9$.</p> <p>Free from harmful VOC (Volatile Organic Components).</p> <p>Fit for human use.</p>
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	<ul style="list-style-type: none"> • 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)
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	<p>BLANKET, SYNTHETIC, 1.5x2m, high thermal – 15 pieces.</p> <p>Other markings as specified in contract.</p>

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 an 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 Confidentiality” 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.
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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.
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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, contracts 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 may 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.

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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.

Procurement Procedures

A procurement procedure is an internal process established by every organisation to ensure that the purchases made are compatible with the basic principles of responsibility, accountability, transparency, equal treatment of suppliers and proportionality, while guaranteeing the best value for money. Procurement procedures ensure objectivity during the supplier awarding process. The awarding criteria themselves will need to be adapted to the context, program needs and donor regulations.

A standard procurement procedure involves the following major steps:

- Suppliers' survey and /or publication (tender, Expression of Interest).
- Collection of technical/financial offers.
- Internal review of survey (offers analysis and comparison).
- Approval of the supplier selection.
- Review of the documentation and financial commitment authorisation.
- Publication/Communication of results.
- Order and/or contract's signature.
- Receipt/transport of the purchase.
- Payment to the supplier (based on previously agreed conditions).
- Final update, review of purchase dossier and its archiving.

Purchases are accompanied by significant cash flows, so agencies must take into account the impact they have on local markets, and the effect they may have on the beneficiaries.

Most Common Procurement Procedures

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For normal operations (not first phase of an emergency response), the procurement method is chosen based on a defined framework with value thresholds. The framework includes, as a minimum, levels for Direct Purchase, Competitive Quotations and Tendering. The levels of the thresholds are based on the context, taking into account monetary values; frequency of transactions; lead time to process the procurement and organisation's risk tolerance. The threshold set is continuously respected throughout the normal operations and reflects donor and INGO requirements. ([PARCEL Project, Procurement](#))

Although each organisation and/or donor use different terminology, they all share the same logic and basic principles. For the purpose of this guide the names of different procedures will be as follows:

- Direct Purchase
- Competitive, Negotiated Procedure
- Tendering

Direct Purchase or Single Quotation Procedure

The direct or single quotation procedure is the most relaxed one in terms of documentation, evaluation and requirements. Direct purchases are usually done for goods or services with a low total value. The main characteristic of direct purchasing is that the goods or services are acquired without prior comparison of prices or purchase conditions, which makes the process relatively quick and easy.

The unit or person responsible for procurement will buy from the most advantageous supplier identified in the supplier catalogue. If the ordered good or service is not listed in the supplier catalogue or is new, it is good practice to ask a supplier for an RFI that will help purchasers more accurately plan the procurement. The unit or person responsible for procurement should contact the supplier to confirm the price and assure the criteria of satisfactory quality, delivery times, competitive market prices and correspondence with the available budget.

A purchase dossier might contain:

- The fully signed Procurement Request that initiated the process.
- The Purchase Order signed by the relevant persons.
- Copy of the invoice.

- Proof of delivery of the items might include one of the following:
 - Supplier's Delivery Note.
 - Internal Reception Note when delivered without supplier delivery note.
 - Internal Delivery Note when delivered to the requester without supplier delivery note.
 - Original invoice, ideally with some form of formal approval written on it.

Example PR

Organization LOGO **PROCUREMENT REQUISITION FORM**
(for goods and services)

Agency/Project: _____ Requisition No: _____
 Location: _____ Page Number: _____
 Date PR Initiated: _____ Date Delivery Required: _____

If Specialized Items, suggest Supplier: _____
* Attach samples and/or detailed specification where applicable. * Use as many lines as needed to describe each item.
 * Make separate requisition for different categories of goods or services. * Use multiple pages where required. Number each page.

No.	QTY	UNIT	Item Description	Grant - Budget Line Allocation
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				

Additional Comments: _____

Requested by: _____ (name) /s/ _____

Program Officer or Department Head Finance Officer Country Director, CoP or Country Team Leader Procurement Officer

Place for name and signature above and under name or signature below

Date approved Date approved Date approved Date received

Example PO

Organization LOGO **PURCHASE ORDER (PO)**

PO No: _____ PR No: _____ Date: _____

Vendor: _____
 Address: _____
 Tel. No: _____ Fax No: _____
 Contact Person: _____ Title: _____
 Delivery Location: _____ Delivery Date: _____
 Delivery Terms: _____
 Special Instructions to Vendor: _____

SPECIFICATIONS:				Currency	
No.	QTY	Unit	Description of Goods and/or Services	Unit Price	Total
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
TOTAL					

Payment Terms: _____ By Bank Transfer / Cash / Cheque (mark applicable)
 Requested by: _____ Position: _____

Program Officer or Head of Department Finance Officer Country Director, CoP or Country Team Leader Procurement Officer

Place for name, signature and date above and sign on other pages that are integral part of this Purchase Order

Vendor agrees to deliver/perform all goods/services set forth above and on any scope of work attached hereto for the price specified in accordance with the Terms and Conditions set forth herein.

Signature: _____ Name: _____ Title: _____
 Vendor's authorized representative

Competitive, Negotiated Procedure

Comparative bidding is the process of soliciting cost/project proposals for products, services or works from "bidders". The selection criteria must be established and communicated in advance to potential bidders. For procurements of higher amounts, more information is usually required to objectively evaluate and justify cost effectiveness. A documented comparison of prices and purchase conditions should be carried out prior to the purchase itself.

Once the terms of the purchase request have been agreed, an official and detailed RFQ must be prepared in writing, which will be sent to multiple suppliers (most organisations use at least three different suppliers), or the sufficient number of candidates to ensure genuine competition. The RFQ should ideally set a date for the offer's delivery, list the technical specifications, and detail the selection criteria that

will apply to the process. In the event that the minimum number of quotes cannot be obtained, as a good practice the purchaser should attach copies of the quote requests sent to the different suppliers as evidence all efforts were taken properly. All quotations must be complete and must clearly indicate the name and address of the suppliers, as well as the offer validity.

Some agencies make exceptions in cases where a quotation from a supplier is exactly the same as a previous purchase and the supplier quotations are still valid.

Mission SYRIA

To:	Date :	
From:	BASE LOGISTICIAN	Purchase Dossier Ref:
For :	Supplying submersible pumps, control panels, electric cable for HA. DOW drinking water wells تقديم مجموعات ضخ غاطسة مع لوحه التحكم والكابل الكهربائي لأبار مياه الشرب لصالح مؤسسة المياه بالحيكة	

Project of supplying submersible pumps, control panels, electric cable for HA. DOW drinking water wells
OBJECT : تقديم مجموعات ضخ غاطسة مع لوحه التحكم والكابل الكهربائي لأبار مياه الشرب لصالح مؤسسة المياه

Item description	Quantity	Unit	Remarks
supplying submersible pumps تقديم مجموعات ضخ غاطسة	8	دع Each	According to Attached Tech.Specs و
Supplying Elc. Control panels ت	8	دع Each	According to Attached Tech.Specs وفقا لدفتر الشروط والواصفات الجرفق
Supply electricity cable (3*25) mm2 from the good quality in local markets الكهربائي بيسط (25*3) 2م من النوعيات الجيدة في	900	M.L مط	According to Attached Tech.Specs and sample of 10 cm length should be submit with technical offer لواصفات الجرفق على ان يتم تقديم عينة بطول
Supply electricity cable (3*16) mm2 from the good quality in local markets الكهربائي بيسط (16*3) 2م من النوعيات الجيدة في	755	M.L مط	According to Attached Tech.Specs and sample of 10 cm length should be submit with technical offer لواصفات الجرفق على ان يتم تقديم عينة بطول

* Duration of works: 15 DAYS
مدة الاعمال: خمسة عشرة يوم

Selection criteria الاسم
 Competitive price (السعر التنافسي)
 Quality of the service (جودة الخدمة)
 Offer Validity (1 MONTH preferably) مدة العرض (شهر واحد)
 Proven experience and I ability/Work certificate with other INGO's, UN agencies
 الخبرة المثبتة والقدرة على العمل بطريقة تقنية والجيل ميسق مع المنظمات الغير حكومية او منظمات الأمم المتحدة
 Payment conditions (شروط الدفع)
 Adequate and qualified human resources (موارد بشرية كافية ومناسبة)

Terms and conditions الشروط
 Payment by bank transfer (الدفع عبر التحويل المصرفي)
 Company remain the sole responsible for its workers and guarantees the respect of security and safety rules
 يجب ان يقدم العرض بالذخيرة السورية
 Offers must be delivered within 5 days after receiving the Request
 يجب ان تسلم العروض خلال 5 ايام من استلام الطلب
 Establishing a mid/long-term relationship
 إنشاء علاقة بتوسطة أو طويلة المدة
 Establishing this Contract doesn't abligates ACF to purchase right away after the signature of the agreement
 إنشاء هذا العقد لا يلزم منظمة العمل ضد المشروع بإجراء أية طلبية مباشرة بحد توقيع الاتفاقية
 we will reject any offer that contains turkish Brand
 سوف يتم رفض أي عرض يحتوي على تجيزات ذات منشأ تركي

Offers must be submitted in the format attached and must include: الاسم
 1- Name, address, phone and contact person (الاسم، العنوان، الهاتف وشخص للاتصال المباشر)
 2- Validity of the offer (minimum 1 MONTH from the date of the offer) (شروط تقديم العرض (الحد الأدنى 1 شهر من تاريخ تقديم العرض)
 3- Unit and total price, including the cost for adequate human resources (الوحدة والسعر الكامل، يتضمنه تكلفة مناسبة للموارد البشرية)
 4- Payment conditions (شروط الدفع)
 5- Estimated total duration of the works (المدة التقديرية الإجمالية للأعمال)
 6- Copy of the company licence and registration number (نسخة عن رخصة الشركة ورقم التسجيل)
 7- Date, stamp and signature (التاريخ، الختم والتوقيع)

Offers submitted after the deadline will not be considered
 كافة العروض التي ستقدم بعد مدة انتهاء العرض سوف لن تاعخذ بعين الاعتبار
 For any complaint please send an e-mail to this link: wb@sy.acfspain.org
 لتقديم أي شكوى يرجى إرسال رسالة إلكترونية إلى البريد الإلكتروني على هذا الرابط

Note: This quotation request is not an order and does not commit ACF-IN on any obligation.
 هذا الطلب ليس أمر ولا يلتزم ACF-IN بأي التزام

To submit an offer تقديم عرض

Response required before 2\2\2016: الرد المطلوب قبل تاريخ 2\2\2016	Offer(s) to be sent under envelop to: تناريخ الاستلام	Received On: Stamp And Signature
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Dossier of Information

Product, Service Information

Selection Criteria

Terms and Conditions

Expected Offer Composition

Feedback Mechanism

Deadlines and Signatures

Example: A quotation for Submersible pumps in ACF-Syria 2016.

Quotations are analysed based on the selection criteria mentioned in the RFQ and the results will be presented in a bid matrix. The supplier selection is generally the joint responsibility of person or team managing procurement and the person or team making the request for procurement.

Before the financial commitment becomes effective, some agencies choose to add an additional layer of validation, whereby the heads of the procurement and financial departments approve the purchase, certifying that both the process followed and the financial allocation are correct. In the case of contracts with a high amount, the validation of the pre-identified relevant persons is usually mandatory.

A purchase dossier ideally should contain:

- The fully signed Procurement Request that initiated the process.
- The originals of the different suppliers' quotations received and the request for those quotations (especially if no quotes were received).
- The negotiated procedure evaluation table with all necessary validations, along with an explanatory note, if relevant.
- The PO or Contract signed by the parties.
- Copy of the invoice, ideally referencing the solicitation number or other tracking number.
- Proof of delivery of the products:
 - Supplier's Delivery Note.
 - Reception Note when delivered without a supplier delivery note.
 - Internal Delivery Note when delivered to the requester without a supplier delivery note.

Public/Open Tenders

Unlike the negotiated procedure where an organization recognises at least three (3) potential suppliers from whom it requests a quote, a public or open tender is the process of opening bids to the public and inviting anyone to submit an offer. Offers are evaluated by a tender evaluation committee created at the beginning of the process. It is strongly advisable that all members of the evaluation committee and the employees involved in the bidding process are obliged to understand and sign some sort of declaration of objectivity and confidentiality or a similar document.

All documents necessary for the tender must be prepared and have been verified before the start of the tender. These documents are generally sent to headquarters for approval prior to the publication of the tender. An open national tender might consist of:

- Creation of the evaluation committee.
- Definition of the supplier selection criteria.
- Tender Notice publication in the media.
- Sending the Tender Dossier/RFP to interested suppliers who have requested it.
- Complete the List of applicants and bidders.

- Evaluation of all bids received using some sort of evaluation report.
- Awarding a contract to the chosen provider and inform those not chosen.
- Signed contract.

A Purchase Dossier might include:

- Declarations of objectivity and confidentiality.
- Any waiver (ex. nationality and provenance of the goods).
- Copy of the newspaper/ website carrying the Call for Tender.
- Participation requests.
- Tender dossier.
- Opening session minutes.
- Offers received.
- Tender evaluation report with comparative table.
- Tender report.
- The HQ's authorisation of the award.
- Signed contract and any subsequent addenda.
- Report of acceptance of goods or completion of services and/or works.
- Commercial invoice.
- Delivery notes.
- Payment.
- Payment receipt.

The tenders could have a different geographical scope, allowing only local economic operators to see and submit and offer, or allow anyone nationally or internationally to present their offer. Things to consider when selecting geographical restrictions include local economies, the efficiency in the process, ethical standards and environmental care while assuring the availability of the product/service in the terms that are needed by the organisation.

It is also possible to make tenders:

- **Open** - where all interested suppliers may submit a tender
- **Restricted** - only suppliers within a pre-defined scope or category may take part.

Setting Thresholds

The concept of "thresholds" is key to determining appropriate procedures to apply. Thresholds ensure the principle of proportionality between the purchase market cost and the level of effort required to obtaining the best purchase conditions.

Thresholds work by defining a dollar value at which higher levels of signature or approvals are required. The higher the value of the procurement, the higher the

approval authority and the more detailed the procedure to be applied.

As an example, an agency may wish to set a threshold at \$500 USD:

- Below \$500 USD, only a local logistic officer and requester are required to sign off, and only a PO is required.
- Above \$500 USD, the head of base/mission and/or the head of finance may be required, and a competitive bid may be required.

The nature and limit of each threshold will be determined by individual agencies, based on their own financial oversight needs and guided by:

- Donor regulations
- Country/national level requirements
- Internal organisational audit procedures

The level of thresholds and the required procedures should be included in each agencies' procurement manual or procurement policies.

Comparative Table Different Procedures

Following the proportionality principle, it is advised to increase the complexity of bidding and evaluation if the total amount is higher than the value of the proposed procurement.

	Direct Purchase or Single Quotation	Competitive, Negotiated Procedure	Tender Value
Threshold:	Low value	Medium	High
Level of publicity:	None	Medium (min. 3 suppliers contacted)	High (publication in media, public opening of offers, public award notice)
Evaluation:	Light, one person	Medium (Logistician + Requester)	High (Tender Evaluation Committee, min. 3 people)
Documents:	Few (PR, PO, Invoice)	Medium (PR, RFQ, Quotes, Bid Analysis Table, PO, Invoice, GRN)	High (13 templates)
Validation:	Field level	Country Level + HQ (in some cases)	Country + HQ for Tender Dossier and supplier selection

Bid Splitting

"Bid splitting" is the act of artificially splitting a bid among several smaller purchases instead of a single large purchase. Artificially splitting a bid within a budget is usually done to avoid a relevant procedure, and is considered a bad practice and may constitute fraud.

Bid splitting becomes fraudulent when the objective of the persons managing procurement is to apply a less restrictive procurement procedure than what best practice or agency wide procurement procedures might advise. Splitting a bid may not always be fraudulent when circumstances necessitate it for security, cost-effectiveness, and other justifiable reasons. Any decision to split a bid must be clearly explained and documented.

Donors and Grant Funds

Donors are entities, institutions or individuals that finance the projects that an organisation implements. Procurement procedures must guarantee that all goods, services and works are obtained in accordance with their procurement policies, as well as all the laws applicable to these expenses.

Any person or team responsible for procurement must be familiar with donor procurement-related regulations at all stages of the project cycle and ensure that a organisation fulfils its contractual obligations to the donor. Among other actions, the procurement unit must verify if the donor has specific rules on thresholds and procurement procedures, as well any specific regulation applicable to the acquisition of medical or agricultural products, equipment, etc.

1. General regulations donors:
 - Donor thresholds.
 - Nationality and/or origin requirements of products.
 - If donor approval is required (evaluations, audits, etc.).
 - Specific regulations for specific products (medicines, medical supplies).
 - Sanctions or anti-terrorism controls
 - Denied entities to procure from.
 - Possibility of using HPCs (Humanitarian Procurement Centres).
2. Specific regulations pertaining to any agreement signed with the donor.
3. Expense eligibility or contract start and end dates – allowing time enough for the procedure to take place and the goods/service to be delivered.

Title

Download - Purchase Order Template

File



Market Analysis

“

“Market analysis is a key component of response analysis; it informs the design and implementation of appropriate interventions using and supporting local markets” (The Cash Learning Partnership, Minimum Standards for Market Analysis (MISMA))

In a crisis context the humanitarian sector has an enormous capacity to impact the local market. It is important to act based on humanitarian principles and values and keep in mind the concept of “Do not Harm”. Market analysis is an essential component of context analysis, collecting information that will be useful to program the intervention and how to implement it. It is also a critical element of contingency planning and preparedness.

Key factors in a market analysis:

- Nature and origin of the products offered.
- Local manufacturing capabilities.
- Main local products.
- Storage capacities of suppliers.
- Transportation routes and potential risks to stock.
- Knowledge of the relationships between the different agents.
- External, political, meteorological factors.

Source: [IFRC](#)

Tools

There are several key tools from where the information about the market can be extracted. As an agency or individual conducts procurement, there is a large volume of information that will help to analyse the market that surrounds the organisation. Humanitarian agencies should to conduct revised market assessments as needed.

- **List of suppliers** - Many persons may be involved with procurement in a single agency. It is highly suggested to keep a catalogue of suppliers where basic information about the products they offer can be found, as well as past experiences or any other relevant information.

- **Request for Information (RFI) and Expression of Interest (EOI)** - RFI and EOI are Documents through which information will be requested from suppliers to make their offers official, but also through which can be carry out the market analysis of a specific product.
- **Purchase tracking** - Any system used to track the current status of procurement, and inform other departments about the status of their requests and in general.
- **Price list** - Track historical procurement costs, inform planning assumptions, and track the evolution of the costs of goods and services on the market.

Supplier Analysis

Sometimes it is difficult to get an idea of a supplier only through official bid documents. Purchases may want to visit the suppliers in their workplace, especially when agencies intend to start a lasting relationship with a given supplier. Do not underestimate the power of an in-person conversation, or the details that can be learned by knowing their facilities.



Helpful steps to follow:

- Establish a first contact with the supplier.
- Analyse supplier capacity and professionalism: number of workers, work methods, general cleaning, etc.
- Analyse the products or services available. Where does the supplier buy the product or raw material? How are products delivered? Can they import better/cheaper products?
- Understand the supplier's business model, its challenges, its sources, its problems.
- Gather information that would never otherwise be reflected on paper.

- Identify other possible selection criteria in addition to price.

Supplier Ineligibility

It is strongly advised to excluded suppliers from any procurement for any of the following reasons:

- They are bankrupt or are ceasing activities.
- They have been found guilty of serious professional errors.
- They are found to engage in child labour, sexual exploitation and abuse, slavery, bribery, gross environmental negligence, or undue worker safety.
- They have not fulfilled obligations related to payment of taxes as per legislation of the country or in the country benefiting from the contract.
- They have been tried and finally convicted for fraud, corruption, participation in criminal organisations or any other illegal activity.
- They have been declared seriously in default for failing to observe contractual obligations in other purchase procedures made with the organisation.

As evidence proving that potential supplier does not come under one of the above-mentioned situations, the candidate supplier shall submit at least one of the following documents:

- A recent extract of judicial records.
- An equivalent document issued by a judicial authority.
- An affidavit testifying that the supplier respects basic social rights and working conditions and does not exploit child labour.
- Affidavit sworn by the company's legal representative before an administrative or legal officer, an auditor or a qualified body in the country of origin or provenance.
- Self-certification on the above-mentioned judicial status.

Background checks are strongly advised prior to contracting with an agency:

- Where possible, agencies should conduct background checks on vendors and suppliers using the available local means.
- Some donor agencies require screening of vendors against additional international lists pertaining to criminal activity or terrorism.
- Aid agencies should always ask for references from other known sources who may have procured goods or services from the identified supplier in the past.

Contracts should not be awarded to bidders who during the procurement procedures:

- Are subject to a conflict of interests.
- Have omitted to supply the information requested by the organisation as a condition of participation in the procurement procedures or they have supplied

untruthful information.

- Are guilty of corrupt practices, fraud, collusion or coercion.

Supplier Management

Supplier management is a set of principles, processes, and tools that can help organisations maximise supplier relationships, minimise risks, and manage overheads throughout the entire relationship life-cycle. Active supplier management entails creating closer and more collaborative relationships with key suppliers to achieve greater value and reduce risks.



It is important to know specifications of the products or services required, the legal framework for their acquisition and their availability in the market. Not taking these three concepts into account increases the risk of not finding required items, procuring incorrect items, or not respecting local norms and behaviours when purchasing them.

The objectives of an effective supplier relationship management are to:

- Foster long-term relationships and joint value creation.
- Prioritise resources and interaction with suppliers that can provide the greatest value for money.
- Ensure measurement of quality and service levels.
- Develop a consistent mode of interaction with suppliers across the organisation.

- Ensure fairness, integrity and transparency.

Process

Supplier Registration

It is strongly advised to register suppliers who meet key criteria, including assuring that:

- They have legal personality and legal capacity to enter into a contract.
- They shall have sufficient financial capacity (where required, the last two years audited accounts) to successfully undertake a contract awarded by the organisation.
- The products or services offered must be of interest to the organisation and the supplier must have the necessary professional and technical competence.
- The supplier must not be on any sanctions list and has not performed fraudulent, unethical or illicit acts.
- The supplier shall have the adequate experience.

For certain categories of goods and services, or in certain country specific contexts, suppliers may be required to meet additional/different criteria in order to be registered.

Supplier Catalogue

A supplier catalogue is a tool where every supplier is registered and all the information about their relationship with the purchaser is stored.

Supplier Pre-Qualification	Pre-Qualification is generally used to pre-select suppliers for the provision of complex/strategic goods and services based on very specific needs. This selection can be from a supplier catalogue or include other providers. Only invited suppliers that meet established criteria should be invited to bid, ensuring that only companies with a high level of quality and/or expertise are included in the solicitation.
Supplier Monitoring	Monitoring of supplier activities in most cases is done through the standard set of procurement documents . Each procurement step has to be explained and justified and all the official communication has to be documented. It is a best practice to create and update a tool to record key indicators in the procurement process. Such a tool might record of all the interactions with the suppliers allows the agency to analyse and monitor the relations through the time. Key indicators might include, but are not limited to response rates, records of evaluated proposals, number of contracts awarded, POs managed, and expenditures.
Supplier Performance Evaluation	Measurement of the performance of suppliers in support of an organisation's needs is important. Historical supplier evaluation influences the identification of suppliers who may be short listed in the future. Surveys are an important source of information. The requesting unit should be asked about their opinion about supplier performance in a standardised and official manner. Responses should be included in the supplier catalogue, to be referenced when new procurement actions are being planned.

Supplier Management Tools

Once supplier(s) are identified, it is useful to:

- Define the exact needs and what you want to negotiate.
- Understand exactly the supplier offer/bid.
- Know your supplier and the market.
- Manage the timelines for delivery of goods and services.

The objective of any negotiation is to achieve a “win to win” situation. If one party in a negotiation does not feel benefited in some way, the relationship tends to break down.

When entering negotiation, it is important to have at least two real possible outcomes to choose from; this will make the negotiation more efficient by having a margin of safety and not feeling/establishing a dependency relationship.

An agreement between the two entities must be formalised, the obligations of each party clearly established, and a mutual understanding of what should be expected from the relationship well understood. There should be well understood steps to take in case of non-compliance to help avoid conflict. The best way to improve working practices in a supply chain is to work hand-in-hand with suppliers to help them to implement achievable improvements.

There are two main tools to manage the relation with a supplier:

- Contract
- Long-Term Agreement (also called Framework Agreement)

Contracts

A contract is an agreement with specific conditions between two or more people or entities in which there is a commitment to do something in exchange for funds. The existence of a contract generally requires the following elements:

1. An offer.
2. The acceptance of that offer.
3. A commitment to carry out.
4. A consideration (which may be a promise to pay in some form).
5. The moment or the situation in which this commitment has to be carried out.
6. The terms and conditions of execution, including the fulfilment of the commitment.

Everything that is worth mentioning must be included in the contract, including the technical quality of the product or service, through the form and conditions of payment, to details about compliance. What is not included in a contract cannot be enforced. It is advisable to dedicate enough time to develop a good contract with mutual agreement with a supplier.

It is advisable to build a contract template, with as fixed a structure as possible, and with simple and direct language. It is common to review the signed contracts to resolve doubts and knowing the structure of our contracts helps to save time. A good practice is to have any contract template reviewed by a local lawyer, who can ensure any contract term is in accordance with the law, and who could advise on local customs and practices.

In the event of any contract dispute, the agency must communicate with the supplier in question. If necessary, a friendly discussion is always preferable. Most conflicts with a provider are resolved with dialogue and the commitment to resolve small details, but this discussion should be formal, including a lawyer if necessary.

Going to court should be avoided whenever possible. Having good contracts that anticipate how possible breaches will be resolved is key. The use of financial penalties is useful during negotiation and a tool in case of conflict.

Long Term Agreements (LTAs)

A Long Term Agreement, known as well as Framework Agreements, establish the commercial terms and conditions that will govern between the supplier and the procuring agency in the event that there is a firm order for the goods or services established in the agreement. An LTA aims to define the commercial conditions that will apply to the purchase of specifically determined goods and for a pre-established period of time. LTAs are especially relevant for small, low-value and less complex items purchased on a regular basis, such as office supplies, most spare parts, cement, prepaid mobile phone service, etc.

An LTA is applicable when several deliveries are expected, but neither specific quantities nor delivery dates can be foreseen. It is important to understand that a LTA is not in itself considered a purchase commitment, but simply sets out the conditions that would apply if the organisation decided to place an order. There is no commitment or exclusivity!

To avoid confusion and possible conflicts, it is essential to make it very clear to suppliers from the beginning of the bidding process that the objective is to sign a LTA and not a regular purchase contract. It is important to ensure that bidders understand

the difference between these mechanisms. Since there is no exclusivity, an LTA can be signed with two or three different suppliers of the same products, under identical terms.

There are certain advantages inherent in the LTA that make it useful in any agency purchasing strategy, such as avoiding the repetition of processes and the corresponding paperwork for the same item throughout a project. Being by definition a larger purchase, organisations can get the best product/service at the best price in the shortest amount of time.

As a lasting relationship is established with the supplier, it is possible for agencies to work on the quality of the products/services that they offer to organisations, since agencies will be able to develop the relationship with suppliers to better understand needs and ways of working. In addition, sometimes LTAs are the only way to follow the correct procedures when only a short time is available. Organisations can follow all the procurement process without any requisition, being in a position to respond to requests in less time.

Quality Assurance

Quality assurance (QA) is a procedure to ensure the quality of products or services by preventing mistakes and defects in manufactured products and avoiding problems when delivering products or services to beneficiaries. It is based in two principles:

- **Fit for purpose** - The product should be suitable for the intended purpose.
- **Right first time** - Mistakes should be eliminated before they happen.

QA focuses on improving a process and making it efficient and effective as per pre-defined quality standards. QA plays a role in the ability of an organisation to self-assess and ensure that internal processes are efficient and effective. It also ensures the existence of mechanisms and tools to ensure suppliers and products meet agencies needs.

For internal and external evaluation, the QA complete process has a defined cycle called P.D.C.A. The phases of this cycle are:

- **Plan** - Organisation should plan and determine the processes that are required to deliver a high-quality end product.
- **Do** - Development and testing of processes and also "do" changes in the processes.

- **Check** - Monitoring of processes, modify the processes, and check whether it meets the predetermined objectives.
- **Act** - Implement actions that are necessary to achieve improvements in the processes.

Sometimes organisations do not have the capacity to assess in these terms for each supplier, however there are audit companies and standard certification organisations that can. Agencies should seek these third-party agencies out and/or include those certifications as criteria for vendor selection.

Standard Certifications

There is a wide range of quality certifications, from seals applicable to an entire sector or to a specific product to, those that certify the quality of a process or those that focus on compliance with ethical and environmental standards. Some have great added value, others have more to do with marketing. They can have a national value or be internationally recognised. Although each stamp can be useful, International Organisation for Standardisation (ISO) standards are the considered the recognised international best practice.

ISO is an independent, non-governmental Organisation created in 1946, and has been developing standards relating to manufacturing, managing processes, delivering services or supplying materials.

Some of the most useful in the humanitarian sector are the following “families” standards:

- **Quality management** standards to help work more efficiently and reduce product failures. (ISO 9000 Family)
- **Environmental management** standards to help reduce environmental impacts, reduce waste and be more sustainable. (ISO 14000 Family)
- **Health and safety** standards to help reduce accidents in the workplace. (ISO 45001 Family)
- **Energy management** standards to help cut energy consumption. (ISO 50001 Family)
- **Food safety** standards to help prevent food from being contaminated. (ISO 22000 Family)
- **IT security** standards to help keep sensitive information secure. (ISO 27001 Family)

Buying a product with an ISO certification and/or to a company that has been ISO certified is a guarantee that the product or company has followed a quality process.

Not all suppliers have ISO or other kind of certifications, especially in low income, disaster or conflict settings. Without these standards in place, agencies may need to look for other sources of information to assure the quality before or during establishing a relation with a supplier.

Vendor Social/Financial Audit

A social/financial compliance audit, also known as an ethical audit, is an inspection of an external organisation that verifies whether the supplier operations complies with social and ethical responsibilities, health and safety regulations, and labour laws. These audits help to judge if a supplier meets the organisation code of conduct, assuring the ethical policies.

A Financial audit can be complemented with the country fiscal year declaration and/or with bank statements that will help to evaluate their solvency.

Due to the "snapshot" nature of audits, and the fact that they are not designed to identify the causes or solutions of problems, they are limited in what they can tell about the suppliers' working practice. For that reason, getting maximum benefit from audits involves being aware of these limitations, and adding the right questions to complement them.

Inspection and Quality Control

Agencies should schedule time and resources to perform inspection during the product evaluation, before the order, or during reception. Quality Control (QC) is a continuous, standard and permanent process until the distribution/delivery to the beneficiaries, therefore must to be performed periodically while a product is in the warehouse or under the organisation responsibility. Sometimes, QC is confused with the QA. Quality control is used to examine the product or service itself. Quality assurance is to examine the processes and make changes to the processes which led to the end-product.

- **Visual Inspection** – If a vendor supplies prototype sample prior to final delivery, organisations or specialists may wish to visually inspect and test the product, either at the vendor premise or at another off-site location.
- **Laboratory Testing** – In addition to visual inspection, agencies may wish to employ third-party laboratory testing. Lab testing may include testing for chemical composition (for durable construction materials or for pharmaceuticals), may test against pre-defined ISO standards (such as flame retardancy of NFIs) or even the quality of food stuffs.
- **Third-Party Inspection** – Many agencies wish to employ third-party inspection companies to carry out quality assurance. Third-party inspection companies will

generally conduct lab and visual product testing, but may also visit suppliers' warehouses and production facilities throughout the production process to ensure full compliance. Organisations that utilize third-party inspection services may want to include the obligation of suppliers to allow third-party inspection companies into production sites without advanced notice to enhance the randomness of the process.

- **Provision of Certification** – Simpler than conducting independent laboratory testing, suppliers may be asked to produce certificates indicating conformity or quality. Typically, this pushes the cost and complexity of laboratory testing onto the vendor, but may also lead to forgery or fraud as the inspection process is out of the hands of the procuring agency.

It is strongly advised that product inspection must also be conducted once the procuring agency takes possession. Not only should products be inspected the first time they are delivered, they should be reviewed throughout the delivery process. For large orders that may have multiple or ongoing deliveries, product substitution can be and is a real problem. Some vendors may unscrupulously swap legitimate products for false, inappropriate or incorrect products later down the line. Without ongoing vigilance, even fully tested and certified products may not actually show up.

Fraud Prevention

Corporate fraud in any organisation runs ethical risks and leads to waste. In the case of non-profit institutions dedicated to tasks such as development or humanitarian aid, it threatens basic elements of their programming and their credibility within the community. Consequently, fraud must be dealt with swiftly and thoughtfully, anticipating events and not only reacting once they have been perpetrated.

Various forms of fraud can be referred to as:

- **Fraud** is defined as any intentional act or omission, designed to harm others, with the result that the victim suffers loss or damage and / or the perpetrator makes a profit.
- **Corruption** is the misuse of a power entrusted by delegation, for private purposes, such as personal enrichment or that of a third-party, a friend, a family member. It consists of refraining from doing, facilitating something, or taking advantage of its function in exchange for a promise, a gift, a sum of money, or advantages of various kinds.

- **Misappropriation** consists of the theft or misuse by any means of a resource or material owned by a third-party.

We can place these three at the same level - they are all improper conduct. This guide will refer to fraud and anti-fraud policies when referring to all three of the aforementioned categories. To deal with fraud, it is necessary for organisations to establish an anti-fraud policy document. Likewise, the entity must periodically assess the exposure to the risk of fraud.

The anti-fraud policy must contemplate three elements:

Prevention	Imparting the organisation's values by its workers by explaining the possible consequences of fraud for the organisation. Organisations should also seek to establish a code of ethics and conduct, which must be communicated and disseminated throughout the organisation, including the appropriate communication channels and complaint formats. Staff should be trained in the identification, categorisation and use of these channels and formats. Establish alert mechanisms that can anticipate and prevent the commission of fraud.
Control	Creating an anti-fraud commission whose responsibility is the investigation and verification of compliance with the policies of the institution, dedicated to the systematic or ad-hoc examination of the practices observed by persons or bodies of the institution. This commission will be in charge of establishing a compliance program with the established policies and norms and their monitoring. To obtain good information staff must feel safe when reporting, but at the same time they must feel the responsibility to provide truthful information. Clear responsibilities must be established and due protection to the complainant and protection against false reports.
Reaction	Displaying the principle of zero tolerance through quick and determined actions, reaction to fraud must always be undertaken using strong evidence. This is only achieved with the collaboration of whistle-blowers and in-depth investigations and the prior establishment of appropriate and consistent measures. Except where security may prohibit it, reaction policies and processes should be made public, and communicated among the staff, donors and beneficiaries. Communication of policies are usually sensitive and should be planned in advance.

It is important to be aware that fraud prevention regulations cannot by themselves guarantee the non-existence of fraud. The effectiveness of fraud prevention guidelines relies on the organisation and the individuals that comprise it.

Procurement fraud may include, but is not limited to:

- **Collusion between providers** - A group of suppliers work together to manipulate their bids in order to rotate winners.
- **Division of the offer** - Demand is split into multiple bids to pass through a lower threshold and therefore reduced due diligence supervision.
- **Adaptation of the offer** - Persons within the agency deliberately draft bid documentation to tailor it to the specific strengths of a specific supplier.
- **Price manipulation** - A supplier charges a price higher than the one agreed in the contract / framework agreement.
- **Product substitution** - The organisation obtains and pays for a certain specification, but the supplier provides a lower / different specification.

Key red flags to watch out for may include, but are not limited to:

Related to Suppliers:

- Undisclosed conflict of interest.
- Winning suppliers outsource to losing bidders.
- The last provider to submit a bid wins the contract.
- Offers that look similar on paper, font, colour, spelling errors, printing, etc.
- Inflated invoices or purchase orders.
- The winning bid is higher than the rate from the market.
- The winning bid is identical to the budget.
- Fictitious suppliers or suppliers without existence or physical address.
- Turnover pattern of winners.
- Partial delivery of goods or services.
- Quality of the delivered items differs from the supplied/proposed samples at the bidding stage.
- Qualified contractors do not submit bids.

Related to Personnel:

- Manipulation of the evaluation criteria after the opening of the tender.
- Contracts awarded by single source or non-competitive process.
- Requirements defined in a way that only a specific manufacturer or supplier can meet.
- Multiple purchase requests started in close proximity for similar requirements to avoid boundaries threshold.
- A staff member does not separate duties.
- Excessively narrow or wide specifications.
- Officials do not delegate their responsibilities or they refuse to go on vacation.
- There is no clear information on the presentation of offers.
- Inadequate documentation (no PR, PO, bid analysis and GRN).
- Overly friendly relationship between a provider and any persons conducting procurement.
- Unusually high exemption rate.
- Tender announcements scheduled to match with holidays.

Procurement Tools and Resources

Templates and Tools

[TEMPLATE - Bid Matrix](#)

[TEMPLATE - Purchase Order](#)

[TEMPLATE - Purchase Request](#)

[TEMPLATE - Supplier List](#)

[TEMPLATE - Tender Report](#)

Sites and Resources

- [Sphere Project, Handbook \(2018\)](#)
- International Review of the Red Cross (2016). *Principles guiding humanitarian action*.
- ECHO, European Commission Directorate General for Humanitarian Aid (June 2019). *Guidelines grant/contribution agreement with humanitarian organisations*
- ECHO, European Commission Directorate General for Humanitarian Aid (May 2020). *Framework partnership agreement with humanitarian organisations*
 - ANNEX III; *General Conditions*
 - ANNEX IV; *Rules and procedures applicable to Property, Supply, Works and Service Contracts Awarded within the Framework of Humanitarian Actions Finance by the European Communities*
- ICRC, International Red Cross and Red Crescent Movement (2014). *Market Analysis Guidance*
- ICRC, International Red Cross and Red Crescent Movement (2014). *Rapid Assessment for Markets*
- SC, Save The Children; Procurement guidelines
- ACF, Action Against Hunger; Supply Chain guidelines
- [PARCEL Project](#)
- [Humanitarian Logistics Association \(HLA\)](#)
- [Core Humanitarian Standard](#)
- [Universal Logistics Standards in Humanitarian Logistics \(ULS\)](#)
- [ULS Procurement Handbook. Universal Logistics Standards](#)
- [Procurement Standards. PARCEL Project \(Partner Capacity Enhancement in Logistics\)](#)
- [The Cash Learning Partnership \(CaLP\)](#)