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Mini MBA Humanitarian Logistics and Supply Chain: supplying fast, well and fairly

Course handout · Week 3 : Buying right: procurement principles, thresholds and procedures

A programme of exactly 3 months (12 weeks, 144 hours) to lead a humanitarian supply chain: mapping and landed cost, demand forecasting and safety stocks, procurement and competitive bidding, Incoterms and contracts, transport, warehouses and inventories, fleet and fuel, customs and exemptions, prepositioning and distributions, health products and the cold chain, performance, costs and the environment, constrained contexts and data protection. Corrected numerical exercises, three monthly exams with case studies, and a verifiable diploma from the Humanitarian Academy.

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Week 3 : Buying right: procurement principles, thresholds and procedures

Objectives

- Apply the principles of humanitarian procurement: transparency, competition, best value for money, ethics and accountability.
- Choose the right procedure according to value, urgency and market, and build a complete procurement file.
- Write specifications and evaluation criteria that allow a fair and defensible decision.

The principles

Humanitarian procurement spends the money of donors and contributors on behalf of the people being assisted. It rests on principles shared by most organisations:

- **Best value for money**: not necessarily the lowest price, but the best combination of quality, lead time, total cost and sustainability.
- **Competition** that is effective and proportionate to the value.
- **Transparency and fairness**: the same information and the same rules for all suppliers.
- **Segregation of duties**: the person who requests is not the person who chooses alone, nor the person who receives alone.
- **No conflict of interest**: written declaration by the members of the procurement committee.
- **Ethics and compliance**: no sanctioned suppliers, no child labour, compliance with donor rules.
- **Traceability**: every decision is documented in a file that an auditor can understand on their own.

Thresholds and procedures

Each organisation sets **thresholds** that determine the procedure. A common scale (amounts vary between organisations and donors, who sometimes impose stricter thresholds):

Estimated value	Procedure	Indicative timeframe
Less than 1,000 USD	Direct purchase, one quotation or a simple comparison	1 to 3 days
1,000 to 10,000 USD	Request for quotation: at least 3 written quotations	1 to 2 weeks
10,000 to 100,000 USD	Restricted or national tender, evaluation committee	3 to 6 weeks
More than 100,000 USD	Open tender (national or international), committee, often headquarters approval	6 to 12 weeks

The threshold applies to the **total value of the need**, not to each order: 5 orders of 9,000 USD for the same need make up a purchase of 45,000 USD (splitting is prohibited).

Controlled exceptions: **single source** (sole supplier justified on technical grounds), **emergency procedures** triggered by management for a limited period, purchases through an existing **framework agreement**. Each exception is justified in writing and approved at the right level.

The procurement file

The procurement file follows the purchase from start to finish. Minimum content:

- **Signed purchase request**, with specifications, quantities, budget line and project code.
- **Budget check** by finance.
- **Competition documents**: request for quotation or tender dossier, list of suppliers consulted, proof of dispatch or publication.
- **Offers received**, including those rejected, and the bid opening record.
- **Comparative table and evaluation report**, signed by the committee, with the declarations of no conflict of interest.
- **Checks** on the selected supplier: sanctions lists, legal registration.
- **Purchase order or contract**, signed according to the delegation of authority table.
- **Delivery note and goods received note** (quantity and quality), invoice, proof of payment.

> An incomplete file is the most frequent cause of costs declared ineligible in an audit, even when the purchase was honest.

Writing specifications

Good **specifications** describe the need in a precise, measurable and neutral way:

- **Functional**: what the item must do (filter 20 litres per day, withstand 3 rainy seasons).

- **Technical**: dimensions, materials, standards (for example the standard specification catalogues of the major organisations, ISO standards, the WHO essential medicines lists).
- **Packaging and marking**: weight per package, palletisation, labelling in the local language.
- **Delivery**: place, date, Incoterm, documents.

Common pitfalls: naming a brand (which excludes competition; add "or equivalent"), specifications that are too vague (offers impossible to compare), or too strict without reason (only one possible supplier). Specifications are drawn up with the programme team and, for technical items, with a specialist (health, water, shelter).

Criteria and evaluation grid

Criteria are set **before** offers are received and announced to suppliers. Two methods:

- **Lowest-priced compliant offer**: administrative and technical compliance is checked (yes or no), then the lowest price among compliant offers is selected. Simple, suited to standard items.
- **Weighted scoring**: technical and financial criteria with weights. Suited to services, works and complex items.

Weighted scoring example (technical 60%, price 40%). Financial score = lowest price / price of the offer × 40.

Supplier	Technical score /60	Price	Price score /40	Total
A	52	80,000	40.0	92.0
B	58	90,000	35.6	93.6
C	40	70,000	(eliminated: technical score below the minimum of 42)	–

C is the cheapest but is eliminated by the announced technical threshold; the lowest price among the retained offers is therefore 80,000. B wins narrowly thanks to its technical quality. A committee cannot change the criteria or weights after the offers have been opened.

Ethics, conflicts of interest and suppliers

Procurement is the area with the highest fraud risk. The basic rules:

- Every committee member declares in writing that they have no link with the suppliers; if there is a link, they withdraw.
- No gift, meal or benefit is accepted from a supplier, even after the award.
- Offers are received in sealed envelopes or in a secure electronic mailbox and opened in a session, in front of at least two people.
- Unsuccessful suppliers may ask for the reasons; a complaints mechanism is provided.

- Suppliers are screened against sanctions lists (United Nations, donors) and internal exclusion lists.

A good **supplier roster** (a qualified database, with performance evaluations after each contract) speeds up procurement and reduces risk. Local procurement, when the quality is there, also supports the local economy and localisation.

Exercise: a purchase of construction materials

Situation. The shelter programme requests roofing sheets, timber and nails for 500 shelters, estimated at 95,000 USD, as a single need. The logistician proposes issuing 10 purchase orders of 9,500 USD to move quickly with simple quotations. Three offers received after a national tender (announced criteria: technical 50%, price 50%, technical minimum 35/50): X: technical 45, price 92,000; Y: technical 38, price 84,000; Z: technical 30, price 78,000.

Tasks. 1) Is the logistician's proposal acceptable? 2) Calculate the scores and designate the supplier. 3) Which documents must be in the file?

Answer. 1) No: it is splitting a single need of 95,000 USD, which falls under a tender; the expenditure would become ineligible. If the urgency is real, management can trigger a documented emergency procedure. 2) Z is eliminated (30 < 35). Lowest price between X and Y: 84,000. X: 45 + 84,000 / 92,000 × 50 = 45 + 45.65 = 90.65. Y: 38 + 50 = 88. X is selected. 3) Purchase request, budget check, tender dossier and proof of publication, bid opening record, the three offers, conflict of interest declarations, signed evaluation report, sanctions check, contract, goods receipt, invoice and payment.

Key takeaways

- Best value for money does not mean lowest price.
- The threshold applies to the total need: splitting is prohibited.
- Every exception (single source, emergency) is justified in writing and approved at the right level.
- Criteria and weights are set and announced before offers are received.
- A complete procurement file protects the organisation, even when the purchase is honest.

Quiz

1. Financial score = lowest price / price × 40. Lowest price 60,000; offer at 75,000. Score:
   A. 40
   B. 32
   C. 30
   D. 48

2. A need of 48,000 USD is placed as 6 orders of 8,000 USD with simple quotations. This is:
   A. A framework agreement
   B. An emergency procedure
   C. Prohibited splitting
   D. A good practice

3. A specification states "brand X only" without justification. The problem is:
   A. It excludes competition; add "or equivalent" or justify a single source
   B. None
   C. It is too vague
   D. It is illegal in every country

4. After the offers are opened, the committee wants to change the price weighting from 40% to 60%. This is:
   A. Allowed if the whole committee agrees
   B. Allowed for emergency purchases
   C. Mandatory if the price is high
   D. Prohibited: criteria are set before offers are received

5. A committee member is the cousin of a bidder. They must:
   A. Vote in favour of their cousin
   B. Declare the link and withdraw from the evaluation
   C. Say nothing
   D. Chair the committee

Quiz answers : 1. B · 2. C · 3. A · 4. D · 5. B