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COMPLIANCE WITH DONORS' PROCUREMENT GUIDELINES  
CASE: THE FINNISH RED CROSS

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## COMPLIANCE WITH DONORS' PROCUREMENT GUIDELINES

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The research was conducted for The Finnish Red Cross' Logistic Centre which is responsible for most of the organization's international procurements. The purpose of this research was to define procurement guidelines set by the donors and differences in the guidelines. The research focused on the two most important donors of Humanitarian Aid: the Ministry for Foreign Affairs of Finland and the European Commission's Humanitarian Aid and Civil Protection department. The Finnish Red Cross' compliance with the procurement guidelines was evaluated using projects as examples. Recommendations were presented based on the findings.

The research was conducted using a qualitative research methodology. The data used in theoretical part was collected mainly from printed literature and donors' electronic publications. Due to the topic of the research electronic sources were used more than usual. For empirical part of the report, the data was collected from semi-structured interviews and observations made during the writer's internship.

In the theoretical part of the report procurement guidelines set by the above-mentioned donors are presented in detail, from application for funding up to the audit. The main focus of the report was on the implementation phase – the procurement of goods. Following the presentation of the procurement guidelines, the guidelines were compared with one another. In the empirical part of the report the compliance with the guidelines was reviewed in two different projects: relief supplies to Syria and mobile clinic and shelters to Haiti. Based on the interview results the deficiencies were clarified and recommendations were presented for the Case Company.

The research results showed that the biggest differences in the procurement guidelines of the Ministry for Foreign Affairs of Finland and the European Commission's Humanitarian Aid and Civil Protection department are in the requirements for visibility and for actual acquisition. The results regarding the organization's compliance with the procurement guidelines show that the main difficulties occur with the Act on Public Contracts and knowledge relating to the necessary information needed in the report. The suggested solutions for the problem areas were presented for the Logistic Centre's personnel in the recommendations chapter

## RAHOITTAJIEN HANKINTASÄÄNTÖJEN NOUDATTAMINEN

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Tutkimus toteutettiin Suomen Punaisen Ristin logistiikkakeskukselle, jonka vastuualueena ovat organisaation kansainväliset materiaalihankinnat. Tutkimuksen tarkoituksena oli selvittää organisaation rahoittajien asettamat hankintasäännöt ja eroavaisuudet kyseisissä ohjeissa. Tutkimuksessa keskityttiin kahteen tärkeimpään humanitaarisen avun rahoittajaan: Suomen ulkoasiainministeriöön ja Euroopan komission humanitaarisen avun ja pelastuspalvelun pääosastoon. Raportin empiirisessä osassa arvioitiin hankintasääntöjen noudattamista case projektien avulla. Haastattelutulosten perusteella esitettiin ratkaisuja ongelmakohtiin.

Tutkimus toteutettiin laadullisena tutkimuksena, johon käytetty tieto kerättiin pääsääntöisesti painetusta kirjallisuudesta ja rahoittajien omista sähköisistä julkaisuista. Tutkimuksen aiheesta johtuen sähköisiä lähteitä käytettiin tavallista enemmän. Empiirisen osan aineisto kerättiin puolistrukturoiduista haastatteluista ja kirjoittajan työharjoittelun aikana tekemistä havainnoista.

Raportin teoreettisessa osassa esiteltiin yllämainittujen rahoittajien hankintasäännöt aina rahoituksen hakemisesta projektin tilintarkastukseen. Pääpaino oli projektin toteutusvaiheessa – tuotteiden hankinnassa. Hankintasääntöjen esittelyn jälkeen rahoittajien sääntöjä verrattiin keskenään. Empiirisessä osassa tarkasteltiin hankintasääntöjen noudattamista kahden eri projektin avulla: avustustarvikkeita Syyriaan ja liikkuva klinikka ja suojia Haitiin. Haastattelutulosten perusteella selvitettiin puutteet ohjeiden noudattamisessa ja niiden perusteella toimeksiantajalle esiteltiin parannusehdotuksia.

Tutkimustulosten perusteella voidaan todeta, että Suomen ulkoasiainministeriön ja Euroopan komission humanitaarisen avun ja pelastuspalvelun pääosaston hankintasäännöt eroavat pääasiassa näkyvyysvaatimusten ja itse tuotteiden hankintaohjeiden osalta. Tutkimustulokset koskien hankintasääntöjen noudattamista osoittavat, että suurimmat hankaluudet esiintyvät julkisen hankintalain noudattamisessa ja raportoinnissa vaadittavien tietojen tietämyksessä. Raportin kehitysehdotuksissa esiteltiin logistiikkakeskuksen henkilökunnalle ratkaisuehdotuksia ongelmakohtiin.

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## ABBREVIATIONS

|            |  |
|------------|--|
| Commission | European Commission  |
| CPV-code   | Common Procurement Vocabulary  |
| DG ECHO    | Director-General for Humanitarian Aid and Civil Protection                               |
| DPS        | Dynamic Purchasing System  |
| ECHO       | European Commission: Humanitarian Aid and Civil Protection                               |
| ERU        | Emergency Response Unit  |
| EU         | European Union   |
| EuropeAid  | European Commission: Development and Cooperation   |
| FPA        | Framework Partnership Agreement  |
| FRC        | Finnish Red Cross  |
| GHTF       | Global Harmonization Task Force  |
| GPA        | Government Procurement Agreement   |
| HPC        | Humanitarian Procurement Centre  |
| HRCS       | Haiti Red Cross Society  |
| ICRC       | International Committee of the Red Cross   |
| LSR        | Logistics Service Request  |
| MFA        | Ministry for Foreign Affairs of Finland  |
| NGO        | Non-Governmental Organization  |
| OECD-DAC   | Organization for Economic Cooperation and Development's Development Assistance Committee |
| RC         | Red Cross  |
| SARC       | Syrian Arab Red Crescent   |
| SGA        | Specific Grant Agreement   |
| TED        | Tenders Electronic Daily   |
| TEDD       | Top Eleven Direct Donors   |
| UN         | United Nations   |
| WEK        | Women's Emergency Kit  |
| WTO        | World Trade Organization   |

## 1 INTRODUCTION

This thesis concentrates on material procurements made by a humanitarian organization – The Finnish Red Cross. Since the organization's operations are partly financed by public funds, there are pre-defined procurement guidelines set by the organization's donors. The goal is to define the procurement guidelines, evaluate the Case Company's compliance with the guidelines and specify the problem areas. The idea for this study was born during the internship of the writer of this thesis in the FRC' Logistic Centre in 2014. The guidelines set by the donors were seen difficult to understand and to follow by the Logistic Centre's procurement personnel.

This thesis focuses on the following two donors: Ministry for Foreign Affairs of Finland (MFA) and European Commission's Humanitarian Aid and Civil Protection department (ECHO). The research was limited to these two donors because they are two of the FRC' most important donors of Humanitarian Aid. Also, when using these two donors as examples opportunity will be provided to compare guidelines between the European Union (EU) and the Finnish Government. The topic of this thesis can be considered also current since the ECHO's procurement guidelines were updated in January 2014.

In this thesis the guidelines are divided into three parts: application, implementation and end of the project. The focus is on the implementation phase which is presented in detail. The implementation phase was chosen as the focus because it is the Logistic Centre's main responsibility. The main points of the application and the end of project are presented, to give the reader a clear image about the whole process from application to the audit. In the interviews the focus is also on the projects' implementation. The recommendations are presented for the Logistic Centre's personnel based on the interview findings and observations made during the internship.

The guidelines of the MFA and the ECHO are presented in separate chapters, to avoid confusion while reading. The differences between the guidelines are presented in the last chapter of the theoretical part of this thesis. This way the thesis is the most practical for the FRC Logistic Centre's personnel, in everyday work situations.

## 2 PURPOSE, RESEARCH METHODS AND THEORETICAL FRAMEWORK

### 2.1 Case Company – The Finnish Red Cross

The FRC is a public association approved by The Finnish Government. The FRC' operations are based on the Genève Contracts made in 1949 and the Finnish Red Cross law (238/2000) and it was established in 1877. (Website of the Finnish Red Cross 2014.) The FRC' operations are based on seven principles: Humanity, Neutrality, Impartiality, Independence, Voluntary Service, Unity and Universality (Suomen Punaisen Ristin... 2014, 5). Kankaansivu (2007, 21-22) explains the seven principles by the organization's efforts to reduce suffering where it occurs. The FRC acts equally towards people in a need and works as a neutral party in a conflict. Being an independent, the FRC ensures that its actions are according to the General Principles of Red Cross (RC). The FRC' activities are based on voluntariness. There can be only one RC in a country and it must be open to everyone. The RC' are universal and every organization is equally responsible to help people in need.

The FRC' purpose is to preserve life and health, defend human dignity and human rights, encourage worlds to co-operate and maintain peace, to help those who are vulnerable, give assistance and support to government's efforts to promote the citizens well-being, increase solidarity and desire to help, boost the understanding of the RC as a human organization and strengthen its preparedness and operating conditions (Tasavallan presidentin asetus Suomen Punaisesta Rististä 811/2005, 2 §).

One of the FRC' responsibility is to maintain financial preparedness. The international operations are funded by the organizations main donors: MFA, ECHO, European Commission: Development and Cooperation (EuropeAid) and The Finnish donors through the organization's Disaster Relief Fund. (Suomen Punaisen ristin toiminnan rahoitus 2012, 2-4.) Most of the organization's international procurements are done by the Logistics Centre, located in Tampere. Most of the procured goods do not go through the Logistics Centre and are instead delivered straight to country of destination. In 2012 the FRC acquired material aid to six different countries total of 2 076 884 kilos. (Website of the Finnish Red Cross 2014.)

## 2.2 Purpose of the thesis

The purpose of this research is to determine what procurement guidelines donors set for humanitarian organizations. The company's compliance with the procurement guidelines during the procurement process is evaluated to define the problem areas. In the empirical part of the report the following projects are used as case projects: relief supplies to Syria funded by the MFA and clinic and shelters to Haiti funded by the ECHO. The MFA's project started in 2013 and ECHO's started in 2010. The MFA's project was chosen as a case project, being a current project. Therefore the results reflect on the company's current situation. The ECHO funded projects are not so frequent, therefore the Haiti's case being the biggest catastrophe project in FRC' history was chosen. Based on the research findings the FRC' problem areas are defined. The goal of this thesis is to provide answers to the organization's problem areas, in order to improve its compliance with the guidelines. The suggestions for improvement are presented in the recommendations chapter.

## 2.3 Research questions and methods

The research questions are the following:

*What kind of procurement guidelines are there? What are they based on?*

*Do procurement guidelines vary between donors? How?*

*Are exceptions permitted in the procurement process? If yes, in which situation?*

*Does the value of a contract have an effect on the regulations? How?*

The data collection method varies between the theoretical and empirical part in this thesis. The theoretical data is collected using various literature sources and it is mainly a secondary data. The used sources contain publications, books, websites, videos etc. In the collection process the sources accuracy is crucial. Only the most updated information is accepted. Donor's own publications are considered more updated than in for example books. Since the thesis is about guidelines which tend to change frequently most of the sources are donor's own publications such as general conditions, manuals etc.

In the empirical part the information is collected mainly from semi-structured interviews, therefore the information can be considered as primary. The semi-structured interviews were seen as the best choice of method because it consists out of open questions without answer options. The writer of this thesis carried out her internship in the FRC' Logistic Centre in 2014. For this reason part of the information used in the empirical part comes from observations. There are two different interviews held in this thesis; one for Procurement Officer Outi Amanor regarding the questions about the MFA's Syrian operation and another one for Procurement Officer Tarja Huilla regarding the ECHO's operation in Haiti. The persons were selected because they were responsible for the procurement during those particular projects.

The qualitative research can be seen as a research method which answers to questions such as; what and what kind of the phenomenon is. The main focus of the method is to describe and explain the phenomenon. But also audio-visual describing, numbers and verbal characterization can be used during the process. In case-researches specified organizations, persons etc. are studied. The process starts from defining research topics and establishing the research plan. The goal is to create most accurate description of the process being studied by using accurate literature resources. Based on these findings the information is written in a compact form. The research results are reported and their significance is reviewed. (Pitkäranta 2010, 129-130.)

## 2.4 Theoretical framework

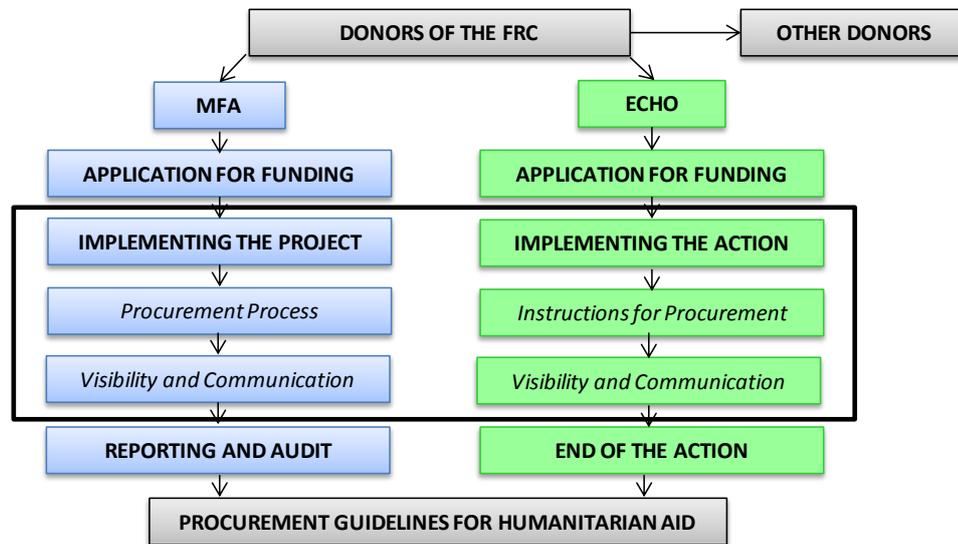


Figure 1. Theoretical framework: procurement guidelines for Humanitarian Aid

The theoretical framework presented in the figure 1 explains the structure of this thesis. The donors are divided into three groups: the MFA, the ECHO and other donors. This thesis concentrates on the following donors: the MFA and the ECHO. The procurement guidelines are divided into three phases: application, implementation and closing. The focus of this thesis is on the implementation phase. The phase is opened in outline and defined in colored strip in the figure 1.

## 3 DEFINITION OF PUBLIC PROCUREMENT

The regulation of public procurement is based on the EU's internal market policy. The goal is to improve the functioning of the internal markets. The freedom of movement of the goods and services and the principles for freedom for establishment are the grounds for the regulations. The public procurement must act in accordance with set principles. All forms of discrimination are prohibited. Similar situations should be treated in the same way, except when difference in the treatment can be justified. The procurements must be done in accordance with fair and non-discriminatory treatment. The competitive opportunities in the market should be utilized. All

the necessary information about the procurement must be open according to the principle of transparency. The principle for proportionality is to ensure that the set requirements for the procurement are in accordance with the purpose of the procurement. (Eskola & Ruohoniemi 2011, 21-25.)

The public procurements must be done according to national procurement legislation and directives set by the EU. The main principles of the regulations are to ensure transparency of the procurement, efficient competitive tendering and to avoid any discrimination of tenders, instead secure equal-treatment. The principles open opportunities for companies to participate in the public procurements. (Website of the Ministry of Employment and Economy 2014.)

Pekkala & Pohjonen (2012, 21-22) stated that public procurement stands for goods and services acquired by public funds. In public procurements, there is a separate written contract made between the contracting authority and the supplier. In that contract supplies, services or work performance is changed against payment. It is mandatory in Finland to put up the public procurements for tendering, if the costs exceed the thresholds. When the public procurement is done by equal and non-discriminated tendering, corruption and black economy can be reduced.

All supply and service procurements besides those, which are procurement unit's own work, can be considered as public procurements. There are different methods but they do not have an effect on the publicity and mandatory tendering. (Hyvönen, Kess, Piisi, Tuomela, Uotila 2007, 49.) The Act on Public Contracts' target is to ensure high-quality procurement process, equal opportunities between suppliers and cost-effective use of funds (Laki julkisista hankinnoista 348/2007, 1§).

World Trade Organization (WTO) provides a Government Procurement Agreement (GPA) for public procurements; offers received outside the EU should be treated equally with tenders received from the EU. It provides possibilities for Finnish suppliers to participate in foreign public procurements. The scope of applications includes supply contracts, work contracts and specified services. The thresholds are same as in EU-procurements. (Eskola & Ruohoniemi 2011, 25-26; Website of the World Trade Organization 2014.)

#### 4 MINISTRY FOR FOREIGN AFFAIRS OF FINLAND

”Finnish Humanitarian Aid is based on international humanitarian law, international human rights treaties, and laws regarding refugees. Aid is provided following the principles of impartiality, independence, equality and humanity.” (Website of the Ministry for Foreign Affairs of Finland 2014.) The Finnish Government has promised to base their decisions solely on people’s needs. This is based on the Acts on the Principles for good Humanitarian Aid laid down by the Organization for Economic Cooperation and Development’s Development Assistance Committee (OECD-DAC). As a rule, the country of destination should ask assistance first from the United Nations (UN), who then asks assistance from partner organizations. (Website of the Ministry for Foreign Affairs of Finland 2014.)

Finland is one of the Top Eleven Direct Donors (TEDD) and is placed in the lower donor group among for example Spain and France. Finland has expanded its contribution, since inspection started 14 years ago. (Attinà 2014, 12.) The figure 2 below presents the contribution of all the TEDD countries from 1999 to 2012.

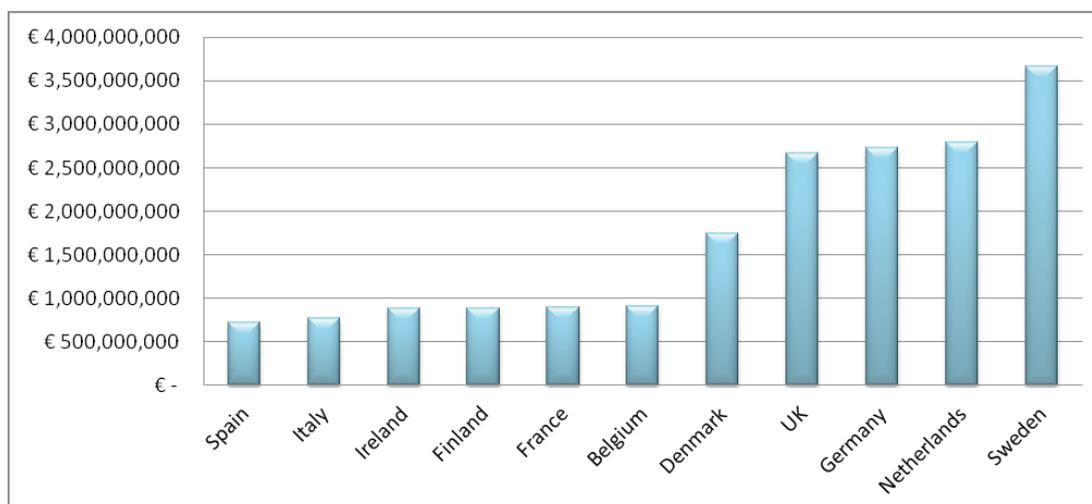


Figure 2: Top Eleven Direct Donor Countries. Total Aid 1999-2012 (Attinà 2014, 13.)

“The choice of recipient countries is based on such factors as how wide the crisis has spread, how large the numbers of people affected are, the mortality rate, and the estimated numbers of sick and dying, those in need, and acutely malnourished children under the age of five” (Website of the Ministry for Foreign Affairs of Finland 2014).

The Finnish Government embraces the UN' role in the Humanitarian Assistance and therefore the funding will be given to organizations, which are qualified by the UN. The organizations must be seen as open, responsible, successful and able to conduct the implementation also in bad conditions. (Website of the Ministry for Foreign Affairs of Finland 2014.)

The funding of the MFA's humanitarian aid is based on the Act on Discretionary Government Transfers (688/2001). The Finnish Non-Governmental Organizations (NGO) must follow the Act and the UN agencies in limited cases. The following laws must be followed; Accounting Act and Accounting Ordinance (1336/1997) & (1339/1997), Auditing Act (459/2007), Administrative Procedure Act (434/2003), Act on Public Contracts (348/2007), Associations Act (503/1989) and Foundations Act (109/1930). When the partner organization is the FRC, the following laws need to be followed; Act on Finnish Red Cross (236/2000) and the Decree on the Finnish Red Cross (811/2005). (Guideline Concerning Humanitarian... 2013, 5.)

#### 4.1 Application for funding

The funds and application dates are posted on the MFA's website. To participate in the year's first distribution, the application must be sent before 15th of January. The organization can seek the donation for a whole year. The application must be signed by authorized person. The application must include the following information: objectives, partners, beneficiaries, budget, schedule and strategy plan. The currency used in the budget is euros. The organization should mention other donors and their own contribution in the budget. (Guideline Concerning Humanitarian... 2013, 11-12.)

The MFA allocates 10 % of the Development Cooperation funds to Humanitarian Aid actions. The funds are distributed to organizations twice in a year. Approximately 70 % of the funds are allocated during the first quarter. If a crisis occurs, Flash Appeal is justified. The Flash Appeal can be done at any time of the year. In fall the MFA finances the forgotten and underfunded crisis. Core Funding can be given to organizations, which funding is done by Unit for Humanitarian Assistance such as

International Committee of the Red Cross (ICRC). The Core Funding is paid immediately after approved budget. (Guideline Concerning Humanitarian... 2013, 4-6.)

If the MFA suffers from lack of funds in humanitarian actions, it can transfer more funds from development cooperation funds. For example this fall the MFA's goal is to find funds from operations which have not been realized and transfer them to humanitarian actions in Syria and Iraq. (Paatero: Isisin vastaiseen... 2014.) The Minister of International Development Sirpa Paatero suggests, that the MFA's Development Cooperation funds focus should be moved, more towards vulnerable countries (Paatero pohtii kehitysrähojen... 2014).

## 4.2 Implementing the project

The Finnish Government does not have a visibility and communication manual for partner organizations. The government still requests, that their participation as a donor is mentioned in all the organization's publications. The visibility is still not considered as criteria for receiving the grants. (Guideline Concerning Humanitarian... 2013, 8.) Besides the visibility, the Act on Public Contracts is mandatory to be followed; its main points are presented below.

### 4.2.1 Thresholds – EU and national

The procurement process depends on the total cost of the acquisition. When defining the total cost, procurement unit must not include value-added-tax to the price and take account the total value including. The calculation of the total value is especially crucial in the procurements that exceed EU-threshold. The procurement unit must be able to justify the calculation of the total value. The thresholds are for supply and service contracts; for national threshold 30 000 € and for EU-threshold 207 000 €. The national threshold is valid until further notice and the EU threshold is revised by the European Commission (Commission) in every two year and is valid predetermined period of time. (Lähde & Hannonen 2012, 29, 32-34; Website of the HILMA 2014.) All the thresholds used in the public procurements, except those for special fields, are shown below in the table 1 and 2.

Table 1: The new EU thresholds from 1 January 2014 (Website of the Ministry of Employment and Economy 2014).

| Contract type                | Central government authority | Other contracting authorities |
|------------------------------|------------------------------|-------------------------------|
|                              | Threshold (euros)            | Threshold (euros)             |
| Supply and service contracts | 134 000                      | 207 000                       |
| Public works contracts       | 5 186 000                    | 5 186 000                     |
| Concessions                  | 5 186 000                    | 5 186 000                     |
| Design contests              | 134 000                      | 207 000                       |

Table 2: The national thresholds from 1 June 2010 (Website of the Ministry of Employment and Economy 2014).

| Contract type  | Contracting authority |
|--|-----------------------|
|  | Threshold (euros)     |
| Goods and services contracts   | 30 000                |
| Concessions  | 30 000                |
| Health care and social services contracts within the meaning of Annex B (Group 25) and education services purchased a joint purchasing agreement with the employer | 100 000               |
| Works contracts  | 150 000               |
| Works concessions  | 150 000               |
| Design contests  | 30 000                |

#### 4.2.2 Procurement procedures and time limits

Choice of procurement procedure is based on acquisition, contract value, suppliers' availability, selection criteria and complexity of the acquisition. The possibilities are Open Procedure, Restricted Procedure, Negotiated Procedure, Competitive Dialogue, Direct Award, Framework Agreement, Electronic Procurement and Design Contest. (Pekkala 2008, 171-173.)

##### *Open Procedure*

The Open Procedure is the most common procedure used in public procurements. In this procedure, all of the willing suppliers may take part in the tendering. The pro-

curement unit may give acquisition documents with the invitation to tender or give them by request. The invitation to tender can be sent to possible suppliers after its release date. (Kalima, Häll & Oksanen 2007, 126-127.) The procurement decision is made solely based on the offers, without negotiation. Therefore tenders can be excluded from the competition only if the tender or offer is not eligible to facilitate comparison. The Open Procedure should be the primary choice both in EU - and national procurements. (Hyvönen, et al. 2007, 98 & 114.)

### *Restricted Procedure*

Another popular method is Restricted Procedure. It can be used both in the national - and EU procurements. The method is highly used in situations where the procurement unit would receive too many offers, if using the Open Procedure. In the EU procurements, the Restricted Procedure's time limits can be seen as too long. It also contains more phases and possibilities for appeal. The procedure has two phases. In the first phase the procurement unit seeks for willing candidates. The procurement unit chooses tenders according to set selection criteria. To the selected tenders the procurement unit sends the invitation to tender. The number of tenders should be at least five, if possible. In the second phase tenders may respond to the invitation to tender, by sending their offer to the procurement unit. From those offers the procurement unit chooses the winner. (Kuusniemi-Laine & Takala 2007, 89-90.)

### *Negotiated Procedure*

The Negotiated Procedure can be seen as a flexible procurement procedure. In this procedure, procurement unit publishes the contract notice to which interested suppliers may respond by sending request to participate. From those suppliers the procurement unit chooses the best ones. Those suppliers are then asked to join to negotiation table. (Hyvönen, et al. 2007, 99-100.) The Negotiated Procedure can be used in the following cases; the procurement unit received only incompetent offers, there were gaps in the Open Procedure, Restricted Procedure or Competitive Dialogue, price estimate cannot be formed or nature of the contract cannot be accurately determined. The change to the Negotiated Procedure can be made, if the terms and conditions in the invitation to tender are not changed significantly. A new contract notice is not

mandatory, if all participants which fulfilled eligibility requirements and their offer met the requirement are invited to participate. (Pekkala & Pohjonen 2012, 211-214.)

### *Competitive Dialogue*

The Competitive Dialogue is a very complex procedure. It can be used, when the procurement unit can not specify legal and economic conditions and uses the most economically advantageous offer as the selection criteria. Participants are treated equally and information is shared equitably. The offers cannot be revealed to others without consent. The procedure has two phases. The first phase is to publish the contract notice, to which the tender responses with participation application. In the second phase the procurement unit chooses at least three tenders from applications, to take part in the negotiations. (Eskola & Ruohoniemi 2011, 185-197.)

### *Direct Award*

In the public procurements the Direct Award is always an exception in an obligation, to do competitive tendering. The procurement unit chooses supplier and negotiates about the terms with them. The procurement unit may also choose only one tender. The Direct Award is a possibility, only if the law allows it. The procurement unit has a responsibility to justify their actions and to provide proof of them. (Eskola & Ruohoniemi 2011, 208.) The Direct Award is a possibility in the following cases; In the Open Procedure or in the Restricted Procedure the procurement unit did not receive any eligible offers and the terms used in the invitation to tender are not altered and the tender fulfills terms and conditions, there is only one supplier for the product, extreme urgency caused by external reason, product made especially for the research, raw material markets, products can be purchased by especially cheap prices or they are purchased from winner of the design competition. In additional orders the Direct Award can be used, when change would mean significant alterations. The length of contracts can be maximum three years. The additional orders must be considered in the planning phase. (Hyvönen et al. 2007, 103-106.)

The contract notice is not compulsory. If the procurement unit chooses to make the notice, it must be done after the procurement decision and before the award of con-

tract. When using the contract notice, the award of contract can be made 14 days after publication of the notice in Tenders Electronic Daily (TED). The contract notice improves transparency. By publishing it, the procurement unit can avoid the clause of inefficiency in the Market Court. In national procurements the contract notice cannot be made. (Eskola & Ruohoniemi 2011, 213-214.)

### *Framework Agreement*

The Framework Agreement stands for an agreement between one or more procurement units and one or more suppliers. The purpose of the agreement is to establish the necessary information in the public contracts such as price. Method is used, when the products and prices can change rapidly and therefore the procurement unit should not commit to fixed prices and conditions. (Pekkala & Pohjonen 2012, 239-240.)

There are two different methods in the Framework Agreement; The Framework Contract and the Framework Agreement. The Framework Contract is a binding agreement, in which all the necessary information is already defined. In the Framework Agreement not all of the terms are agreed. Because of this, the parties need to agree on the open terms, before they can sign the contract. (Eskola & Ruohoniemi 2011, 201.) The procedures used in the Framework Agreement are usually the Open - and Restricted Procedure. If the conditions allow it, also the Negotiated Procedure and the Direct Award may be used. The rules and time limits of those procedures comply. (Website of the Julkisten hankintojen neuvontayksikkö 2014.)

### *Electronic Procurement*

The purpose of the Electronic Procurement is to improve the electronic options. The procurement unit should still provide equal opportunities to all possible suppliers. These methods cannot be used to prevent genuine competition. (Eskola & Ruohoniemi 2011, 219-220.)

The Electronic Auction is used in the comparison of the tenders. It requires electronic system. The method is recurring and it can be used extensively. The technical specifications need to be specified in the contract notice. The selection can be made

based either on the lowest price or the most economically advantageous offer. (Eskola & Ruohoniemi 2011, 220-224.)

The Dynamic Purchasing System (DPS) is an electronic system which can be used to products publically available in the market. The DPS is available for everyone for a limited period of time. The procurement unit is responsible for all the costs. The duration of the DPS cannot exceed four years. In the EU procurements, simplified contract notice must be made, before starting the process. The Open Procedure's rules and time limits are used in the DPS. The Electronic Auction can be used for comparing the tenders. (Pekkala & Pohjonen 2012, 280-286.)

### *Design Contest*

The Design Contest is a procedure, which rules must be open to everyone. The number of participants can be limited by non-discrimination criteria. The procurement unit must ensure there will be enough participants, to ensure genuine competition. The jury of the contest should be formed out of independent persons. The jury's statements and decisions must be conducted independently. Participants' proposals are treated anonymously and the procurement decision is made based on the announcement of the Design Contest. (Laki Julkista Hankinnoista 2007, 33-34§.)

### *Time limits*

Time limits depend on the procedures used. The purpose of them is to guarantee suppliers enough time to participate in the tendering. The time limits can be extended. Reduction of the time limits is possible when electronic methods are used. (Aalto-Setälä, et al. 2008, 659-661.)

In the EU procurements, time limits are the following; for offers in the Open Procedure without prior notice 52 days, when invitation to tender is available in electronic form 45 days and when acquisition documents are available electronically 40 days. The time limit for offers in the Open Procedure with prior notice is 22 days. In the national procurements the time limit should be reasonable. (Eskola & Ruohoniemi 2011, 153-154; Pekkala & Pohjonen 2012, 232.)

The time limits for the EU- procurements when using the Restricted Procedure, Negotiated Procedure or Competitive Dialogue without prior notice are the following; request to participate in 37 days after the contract notice, if using the electronic contract notice 30 days. In the Restricted Procedure the time limit for the offers is 40 days, after sending the invitation to tender, if sending the documents electronically 35 days. If the prior notice is used, the time limits are the following; for the request to participate same as previous and for the offers in the Restricted Procedure 22 days, also when using electronic method.

In the Accelerated Restricted Procedure and Negotiated Procedure, the time limits are for leaving the request to participate 15 days or when using the electronic method 10 days. The submission of the offers must be done in 10 days, also when the documents are available electronically. (Eskola & Ruohoniemi 2011, 162-163.)

#### 4.2.3 Contract notice and invitation to tender

Notification of the procurement is the procurement unit's responsibility. The notification ensures that all the information reaches all possible suppliers. Based on the contract notice, suppliers may determine their ability to take part in the bidding competition. The goal is to have a genuine competition between suppliers, but also to introduce new suppliers to the procurement unit. (Lähde & Hannonen 2012, 15-18.) In the Direct Award, the contract notice is optional. The contract notice must be published after the procurement decision, but before signing the award of contract. (Eskola & Ruohoniemi 2011, 215.)

The contract notice must include all the necessary information but at least the following: contract authority's contact information, contract's name and description, type of procurement, Common Procurement Vocabulary-code (CPV-code), procurement procedure and deadline for the offers. (Eskola & Ruohoniemi 2011, 240.) The contract notice cannot be altered but correction notification can be sent (Lähde & Hannonen 2012, 18).

The notification method is selected based on which threshold the procurement exceeds and what is being procured. The national notification is based on the Regulation of Procurement and the EU notification on the Directive of Procurement. The national contract notices are published in Finland in the HILMA-website. Also, most of the EU contract notices can be published in the HILMA, from where they are sent to TED. When the procurement undercuts both thresholds the notification is voluntary, HILMA is still available method. In the procurements that exceed EU-threshold, the contract award notice must be send after the procurement decision in 48 days. The contracting authority may also use pre-information notice to shorten the time limits. (Lähde & Hannonen 2012, 15-18; Website of the HILMA 2014.)

The invitation to tender is considered to be the most important part of the public procurement. It is hard to alter the invitation to tender after the procurement process has started, therefore it should be done carefully. The clearance of the invitation to tender is crucial, because based on it the suppliers will make their offers. Therefore the acquisition and the selection criteria should be described explicitly. In most cases the invitation to tender should be done in writing. (Pekkala & Pohjonen 2012, 416-417.)

The procurement unit may use forms in addition to the invitation to tender such as acquisition description, tender's compatibility and submission of tender conditions, price appendix and model of contract. It is compulsory for the invitation to tender to be same for everyone. The following information must be mentioned either in the contract notice or the invitation to tender; contact information, definition of the procurement and amounts, link to the contract notice, time limits, address, language, supplier eligibility, selection criteria, offer's validity and other necessary information. In the EU procurements following information is necessary; language, and if using the most economically advantageous quotation the weight values or order of priority. (Eskola & Ruohoniemi 2011, 248 & 301.)

The definition of the procurement includes technical specifications of the goods. Especially the good's quality criteria are crucial information in the invitation to tender. The information should be sufficiently detailed for example using standards. (Pekkala & Pohjonen 2012, 430-431.) The invitation to tender supplements the contract notice. Therefore suppliers must find the correct contract notice based on the invitation

to tender. If there is incompatibility between the invitation to tender and the contract notice, information in the contract notice is considered the valid one. (Hyvönen, et al 2007, 174.) The closing date for submission of tenders depends on the procurement procedure used. The calculation starts day after sending the documents to HILMA. The shorter time limits are valid if the documents are available in electronic form. (Pekkala & Pohjonen 2012, 429.)

The delivery address for the offers has to be stated clearly in the invitation to tender. The procurement unit can give both mailing address and e-mail address. The procurement unit should not use personal e-mail address to ensure, that the offers are not opened in advance. (Eskola & Ruohoniemi 2011, 282.) Pekkala & Pohjonen (2012, 427-429) stated that the procurement unit has a right to choose which language is used in the acquisition documents. The most common languages used are Finnish and Swedish. The mandatory language for the offers needs to be specified in the invitation to tender. In the international procurements, English is also a possible alternative.

The requested period of validity of the offer must be mentioned in the invitation to tender. In that time frame, the procurement unit should make the procurement decision. If they fail to do it, they should ask extension. If the tenders do not accept it, the procurement unit must conduct a new tendering. The most common period of validity is two to three months. (Eskola & Ruohoniemi 2011, 290.) The eligibility standards for suppliers and all the necessary documents which need to be filled out should be mentioned in the invitation to tender. Based on these standards, the tender can be ruled out of tendering process. The procurement unit can also set minimum requirements for the procurement. (Eskola & Ruohoniemi 2011, 283-284.)

The selection criteria for the public procurements are most economically advantageous offer or the lowest price. The most economically advantageous is the most common one and when using it the procurement unit has to establish comparison grounds. Weighting of those grounds have to be determined in the invitation to tender. (Pekkala & Pohjonen 2012, 434-435.)

#### 4.2.4 Handling of tenders and procurement decision

The handling of tenders must be done according to procedure mentioned below. When done accordingly the procurement unit has a proof of their actions. This improves both the tender's and procurement unit's legal protection. (Hyvönen, et al. 2007, 217.) The receipt of tenders must be done equally and without discrimination. All of the offers must be opened at the same time, in a separate opening ceremony well in advance. Multiple persons should attend the ceremony and minutes of the meeting should be written based on it. The offers delivered late should be mentioned in the minutes and sent back to the tender. If the procurement unit has sent the invitation to tender to supplier but has not received offer, it should be mentioned in the minutes. (Eskola & Ruohoniemi 2011, 312; Pekkala & Pohjonen 2012, 469.)

The persons who have prepared the procurement shall represent the findings to those, who are authorized to acquire goods for the organization. The decision-making powers are defined by each organization and are based on the total costs of the procurements. The authorized person's responsibility is to check the procurement decision objectively and in the legal point of view. The procurement unit must send the procurement decision to all tenders. The decision must be justified so well, that tenders understand the grounds for the decision. Also, the grounds for using the Negotiated Procedure and the Direct Award must be clarified. The following documents need to be attached to the procurement decision; indication of the application to the Market Court and complaint instructions. (Kuusniemi-Laine & Takala 2007, 213-215.) The procurement unit must clarify, that the procurement decision is not the award of contract, which is done separately later on (Eskola & Ruohoniemi 2011, 391).

#### 4.2.5 Award of contract

The award of contract can be considered as the most important document when considering the procurement itself. The award of contract is made by signing a written contract. The law itself does not regulate content of the contract more. The contract specifies terms and conditions concerning the procurement and therefore it should be done carefully. (Eskola & Ruohoniemi 2011, 392-393.) In the EU procurements, the

award of contract can be made 21 days after the procurement decision has reached tenders. This time frame includes the 14 days reserved for Market Court application and seven days for possible Market Court handling. The procurement unit can ignore the time frames, if there is unpredictable reason or public interest by an overriding reason caused by external reasons. (Hyvönen, et al. 2007, 278.) In the Direct Awards waiting period is not used, except when the procurement unit has sent the voluntary notification to TED. If the notification is sent, the waiting period is 14 days. (Eskola & Ruohoniemi 2011, 391.)

#### 4.3 Reporting and auditing

At the end of the project, the organization shall make final report to the MFA. In the report, project's effectiveness and use of resources are demonstrated. Report will be written according to the State Aid Decision. The report will be signed by person with right to sign behalf of the organization. If the organization fails to supply the report, the MFA has a right to recover back the grant and leader personnel have criminal liability. In the financial report, organization introduces the project's use of resources and other financing (self-financing and other grants). The use of resources is compared to organization's Grant Appeal. Report must be done in euros and exchange rates and dates must be introduced. (Guideline Concerning Humanitarian... 2013, 15-16.)

The organization has a responsibility to organize bookkeeping professionally. This responsibility covers also the organization's partners. The arrangement of bookkeeping in organization must be presented in the Grant Application. The bookkeeping must be done according to Accounting Act and Accounting Ordinance. The MFA has the right to audit the bookkeeping. This permission covers both Finland and country of destination. The organization's use of resources should be checked from the books without obstacles. (Guideline Concerning Humanitarian... 2013, 16.)

## 5 EUROPEAN COMMISSION: HUMANITARIAN AID AND CIVIL PROTECTION (ECHO)

In 1992 the European Union established a small Humanitarian Aid department to help people in need, after series of crisis occurred around the world. In 1996 the European Union launched a directive 1257/96, which specified its policy towards Humanitarian Aid. (Barrueso 2012; Sabathil, Joos & Keßler 2008, 185.) In 2013 Commission donated 1.35 billion euros for Humanitarian Relief Assistance. The help reached over 124 billion people, in 90 different countries located outside the EU. (ECHO Factsheet - Humanitarian Aid 2014, 1.)

The ECHO's Humanitarian Principles consist out of the following four principles: Humanity, Impartiality, Independence and Neutrality. Humanity stands for the respect and protection that all the victims should receive. Everyone's suffer should be addressed notwithstanding their whereabouts, especially the most vulnerable ones. The people should be assisted without any discrimination. The help should be given merely based on needs and acts have to be independent. The help should be neutral, without any siding with parties. (ECHO Factsheet - Humanitarian Aid 2014, 1.)

The ECHO operates its projects through approximately 200 partners. The ECHO and its partners have signed agreement to ease the co-operation. The ECHO maintains connections through projects to oversee and evaluate the progress. The ECHO has six regional offices located in Jordan, Thailand, Senegal, Nicaragua, Kenya and India. (ECHO Factsheet - Humanitarian Aid 2014, 2.)

In year 2014 the ECHO was obliged to seek additional funding from the European Parliament's Budget Committee. The ECHO received 150 million euros for Humanitarian Aid and Food Assistance. This additional funding helped the ECHO to pay their urgent bills, but the funds did not still cover all the needs. The ECHO therefore still needs 250 million euros more to meet 2014 obligations. (European Parliament panel...2014.)

## 5.1 Application for funding

To be a suitable partner for the ECHO, the organization should act as a non-profit and be established in one of the Member States. The organization's headquarters should be located either in a Member State or in a third-country, which receives EU's funding. The organization should have a minimum of three years' experience of working in humanitarian field. The ECHO will also evaluate the candidates based on its standards and skills in administrative, finance management, technical and logistical, experience, readiness and fundamental humanitarian principles. (Frequently Asked Questions... 2013, 5-6.)

The aim of the Framework Partnership Agreement (FPA) is to form long-lasting partnerships between the ECHO and organizations. The goal is to have the cooperation to be based on trust and respect and to recognize the general rights and obligations for both parties. The FPA also promotes quality partnership and ensures the quality of the procurements. (Framework Partnership Agreement... 2014 1-2.)

The funding is applied through document called Single Form, which is considered to be a "living document". There is four different functions for the Single Form: Action Proposal, Modification of the Proposal, Intermediate and Final Report. "Living document" enables the procurement unit to respond to crisis, modify the action in the implementation phase, anticipate risks etc. and notify the ECHO about the progress. The Single Form must be submitted in an electronic form. The form is send through Appeal-system. The Appeal-system is used for applying for FPA, updating the administrative information, managing the Single Form and to completing the periodic assessment. (Website of the DG ECHO Partners 2014.)

Specific Grant Agreement (SGA) is sign after the Action Proposal is approved by the ECHO. Signing the SGA the procurement unit approves the terms and conditions laid down in the FPA, including the appendices. The signed SGA can be send to the ECHO by postal service or electronically. The procurement unit may not alter the SGA. (Website of the DG ECHO partners 2014.) When returning the document, the SGA shall enter into force on the date of receipt of the document (General Conditions... 2014, 4). The Foreign Affair Ministers have criticized the allocation process

of the funds being too slow. Bureaucracy complicates the process and therefore the money reaches the people in need too late. Therefore the total costs in Humanitarian Aid projects are increasing. (Foreign Affairs MEPs... 2014.)

## 5.2 Implementing the action

It is the organization's responsibility to ensure that both the people and the goods are secured during the process, also in a form of insurance whenever it is cost-effective. All the resources required should be mobilized by using local resources, whenever it is possible. The actions should be implemented properly by using objectives. The projects should be evaluated according to those objectives. The actions must be completed in the set time frame. (General Conditions Applicable... 2014, 4.) The requirements mentioned below are mandatory for all procurements made by Union funding. The value of the contract or the percentage of the funding does not have an effect on them. The organization is also responsible for their partner's actions. (Principles and Procedures... 2014, 2.)

### 5.2.1 Threshold and procurement guidelines

If the total costs exceed 60 000 €, the procurement unit must have a written procurement guidelines, obeying those guidelines is mandatory. When using Closed -, Negotiated - or Restricted Procedure, at least three tenders should be used, except when fewer tenders can be justified or it is reasonable. When the amount is 60 000 € or below the procurement unit must comply at least guidelines for ethical procurement, sound financial management and avoiding conflict of interest. The total costs of the procurement must be calculated without dividing it into several lots. (Principles and Procedures... 2014, 4.)

The Framework Contracts should not be used to prevent genuine competition. The actions used in a crisis situations, should be specified in the procurement unit's own guidelines. When exceeding the 60 000 €, there should be at least three candidates in the procurement process. The Single Offer is a very rare and can be used in the following cases; in a crisis, procurement from Humanitarian Procurement Centre

(HCP), if no offers are received and terms and conditions are not modified, there is only one specified supplier, renewal of the contract or in additional supplies. The organization shall monitor closely the delivery and quality of the goods. If the partner does not fulfill the requirements, the organization shall make remedial measures. If the procurement is done by the organization's partner, the responsibility still remains at the organization. (Principles and Procedures... 2014, 5-6.)

### 5.2.2 Grounds for selection

The contract has to be done with the tender, who offers the best value for the money, the most economically profitable quotation in the quantities and time limits requested. The organization needs to ensure, that all partners in the procurement process are treated equally without any discrimination or unjustified differentiation. (Principles and Procedures... 2014, 3.) Supplier's nationality and good's country of origin cannot have an effect on the procurement unit's decisions (Website of the DG ECHO Partners' Helpdesk 2014). Whenever it is possible the organization should try to use local resources both material and human. This can have a positive impact on local economies. It should be done without distorting local market, increasing prices or burdening local natural resources or environment. (Principles and Procedures... 2014, 6.)

### 5.2.3 Transparency of information

The goal for the procurement process is to have a genuine competition; this is reached when all the information is open and available for all. All the decisions made by the organization during the process must be fully documented and justified. The supplier selection - and exclusion criteria needs to be carefully specified and informed to suppliers in the invitation to tender. The procurement unit must ensure donor's right to access all the documents and premises on-the-spot. If requested, the procurement unit must present all the necessary information about the procurement (contracts, decisions etc.). The ECHO must be informed about any misconduct such as corruption, during the process in writing. (Principles and Procedures... 2014, 4.)

#### 5.2.4 Ethical requirements

All parties in the Procurement Process need to fulfill the EU's set standards. The three minimum standards are avoiding child labor, respecting basic social rights and working conditions. If possible the environmental aspect should be considered as well as parties' connections with party of conflict or with those who supply or transport illicit arms and land-mines. The parties should also avoid splurging natural resources. (Principles and Procedures... 2014, 3.) Cooperation with conflict of interest in the procurement process should be avoided. For example, who is providing technical assistance cannot attend to tendering in that specific procurement. (Principles and Procedures... 2014, 5-6.)

#### 5.2.5 Special conditions

When acquiring food supplies and medicines, the quality is extremely important. The medicines and medical devices can be bought either from the HPC or from pre-certificated suppliers. If using pre-certificated suppliers the organization should compare the prices also, by using international medicines and device price databases. When comparing the prices the organization should use the prices for whole treatment per patient, instead of the costs per unit. The devices must also meet standards recognized by the Global Harmonization Task Force (GHTF). The acquisition of food supplies need to fulfil the standards of the supplies country of origin or/and destination country, depending which has a higher standard. The supplies should match the nutritional habits of the beneficiaries. The food supplies should be bought from operating country or from nearby countries, whenever it is possible. The organization needs to provide evidence, that the purchase would not cause market distortions. (Principles and Procedures... 2014, 7-11.)

#### 5.2.6 Visibility and communication

High visibility and communication are an obligation for the partner and they are highly prioritized by the ECHO. At the EU level the ECHO's main priority is to reach: EU citizens, stakeholders and media. In the field level the target is to reach:

media, beneficiaries, opinion leaders in the country and host populations. In the final report partner should give supporting information for example photos about the visibility. The donor's visibility contains two different aspects: visual and written & verbal. (Visibility and Communication... 2014, 4-5.)

The visual identify stands for the displays used in the goods and on the field, the size and prominence can vary. Picture 1 below demonstrates the standard model. The display can be moderated by including only the text (*Humanitarian Aid*) or only the flag. (Visibility and Communication... 2014, 5.)



## Humanitarian Aid and Civil Protection

Picture 1: ECHO's standard identification (Website of the ECHO visibility 2014).

The visual identity of the EU's contribution to the project is mandatory on project sites. The partners should use the visual identification in for example banners, goods, equipments, materials etc. Picture 2 below shows the model for the banners. The EU's role as a funder can be specified by using explanatory text. If the project is funded by multiple donors, the EU's visibility should be proportionated to its contribution. (Visibility and Communication... 2014, 6-7.)



Picture 2: ECHO's Visual Identity for banners (Website of the ECHO Visibility 2014).

The written and verbal visibility during communication signifies the acknowledgment of the EU's role as a donor in publications published in the media. The EU has set specified instructions for the organizations verbal and written correspondence with the media. The press release should be given at least at the start of the project. The press release should be sent to the ECHO in advance. When giving interviews, the EU's role as the donor should be made clear, this is also a mandatory in a crisis. The ECHO's representative must be invited to the press conference. The organization can organize journalist visits to the site; those visits should be organized with the ECHO's representative. Partners' publications in the internet (website & social media) and brochures etc. should include a mention about the partnership with the ECHO. (Visibility and Communication... 2014, 7-15.)

### 5.3 End of the action

After the action is completed the remaining goods, which were planned to use by the beneficiaries will be transferred to another organization's Union funded action. The destination shall be mentioned in the Final Report. If the organization does not have another Union funded action or the donation of the goods is seen appropriate, the goods can be donated to locals or to other organizations. By mutual approval the organization may seek exception from transferring or donating the remaining goods. This is typical when the goods need expert handling. In this option the Humanitarian

Organization promises to use the goods in Humanitarian Actions. When the total amount is 750 € or less in a same category, the goods are excluded from the transfer and donation process. (General Conditions Applicable... 2014, 14-15.)

Report is made at the end of the Action. The role of report is to present the necessary information to the Commission and to help evaluate the project. There are four different forms of reports; Interim Report, Final Report, Narrative Report and Financial Report. All the price information in the reports should be given in euros, if not otherwise agreed. The Interim Report has to be submitted to Commission, if that is agreed in the SGA. In the report the project has to be presented until that point. The Interim Report focuses on the implementation process and is done according to the standard format. (General Conditions Applicable... 2014, 22-23.)

The Final Report is submitted to the Commission, when the organization requests the final payment. The Final Report includes the original proposal and possible amendments. It consists out of two reports: Narrative Report (implementation process) and Financial Report (use of the assets). The Narrative Report is written in a Single Form-format, while giving the Commission summary of the implementation process and achievements. The Financial Report gives the Commission clear information about the use of the assets. (General Conditions Applicable... 2014, 22-23.)

The Commission has the right to audit, from implementation stage until 5 years after the Commission's final payment. The audit can be done also by another organization which Commission has mandated. If the audit is done during the implementation process, the report must be sent to partner organization in advance and they have a right to give a response. Transparency and openness are the key factors in the audit process. The audit is also a way for the information to flow from the Commission to the partner organization and vice versa. (Website of the DG ECHO Partners 2014.) The audits can be conducted in the field or in the organization's premises (Website of the European Commission 2014).

## 6 DIFFERENCES BETWEEN DONORS

Based on the chapters 5 and 6 the following conclusions can be made about the differences in the guidelines between the MFA and the ECHO. The ECHO's goal is to focus their aid to the forgotten crisis, when The MFA's decisions are based on UN's recommendations. Principles guide the activities of both donors. The principles are quite same for both donors. The ECHO's principles are Humanity, Impartiality, Independence and Neutrality and the MFA's are Impartiality, Independence, Equality and Humanity. There is only a one difference in the principles, though neutrality and equality can be considered to be very close to each other.

Both donors require the organizations to apply the funds by specified process. The MFA distributes its funds in two phases; in the beginning of the year 70 % of the funds are distributed and in fall the MFA concentrates on the forgotten crisis. In a crisis the organizations may leave Flash Appeal. The ECHO requires FPA from the organization. The funds are applied through Single Form. After approved grant appeal the SGA is signed. The donors have their own application process, but the ECHO's can be considered far more complicated, because it includes more steps.

Procurement of Humanitarian Aid funded by the MFA must be done according to the Act on Public Contracts, if exceeding the thresholds. Therefore those strict rules presented in the 4.2, must be followed during the procurement process. The ECHO gives the organizations more freedom for the procurement of the goods. They only demand written procurement rules for procurements over 60 000 €. Due to this the ECHO's rules can be seen more as ethical guidelines, while in the projects funded by the MFA the organization need to follow a law.

The thresholds vary significantly between the donors. The Act on Public Contracts includes two different thresholds for material procurements: 30 000 € (National) and 207 000 € (EU). The thresholds determine what phases the procurement must include. In the ECHO's case there is only one threshold and it is 60 000€. The ECHO's thresholds defines, which standards are mandatory for the procurement and whether the organization's own written procurement guidelines are required.

Both donors require equal treatment in the procurement process. But the ECHO recommends supporting the local economy, when the MFA's guidelines require being equal to all. The ECHO also prohibits cooperation with conflict of interest. The goal for the procurement in both guidelines is to have a genuine competition, which leads to a cost-effective procurement.

The ECHO as a donor can be seen as more precise regarding the visual and communication requirements for the projects, when the MFA's requirements are seen more modest. The ECHO's visual and communication guidelines are presented in the chapter 5.2.6. The guidelines can be seen important part of the process. The ECHO's contribution needs to be specified by using their identification on goods, banners and all publications. In the projects funded by the MFA, the donor's visual identification is optional on goods. But the contribution to the project must be mentioned in all of the organization's publications.

Both donors demand the organizations to write report after the project. The ECHO uses four different forms of report; Interim, Final, Narrative and Financial. Interim is mandatory only when it is agreed in the SGA. The MFA only demands Final report including financial report. The information needed in the reports is similar with both donors. The projects use of assets is demonstrated and the achievements are defined. The audit is part of the requirements set by both the MFA and the ECHO. The right covers both the organization and the country of destination. The ECHO also has specified guidelines for the remaining goods.

## 7 CASE STUDY – COMPLIANCE WITH DONORS' GUIDELINES

In the empirical part of this thesis, the data is collected through interviews and observations made by the writer of this thesis during her internship in the Logistic Centre in 2014. The information can be considered to be mostly a primary, since it is collected from interviews and observations. There are two different interviews for two different individuals: Procurement Officer Outi Amanor and Procurement Officer Tarja Huilla. The persons were selected, because they were responsible for the pro-

curements in the two case projects. Procurement Officer Outi Amanor is interviewed about the MFA funded project in Syria, which started in 2013. The interview questions are presented in Appendix 1. Procurement Officer Tarja Huilla is interviewed regarding the ECHO funded project in Haiti in 2010. The interview questions are presented in Appendix 2.

The interviews are done as semi-structured interviews. Semi-structured interview was seen as the best choice because it does not give ready answers; instead it gives the interviewee an opportunity to explain in their own words. The interview questions are there to help the progression of the interview. The goal is to have a good conversation between the interviewer and interviewee. The interviews were not recorded as a request from the interviewees. Instead of recordings, notes were made based on the interviewees answers.

After the interviews are held, the results are analyzed critically; they will be evaluated and compared to the information portrayed in the chapters 4 and 5 to find out how well FRC fulfills the requirements. Based on the findings, conclusions and recommendations are written for the Case Company – the FRC' Logistic Centre. The recommendations are targeted to the personnel responsible for the procurements in the Logistic Centre.

#### *Observations made during the internship in 2014*

The FRC stores their relief supplies in the Logistic Centre, from which the help can be sent quickly to the field. The goal is to have supplies for five clinics, which can be modified into two hospitals and one clinic. The goods stored in the warehouse are acquired in accordance with the FRC' own procurement guidelines. The National Emergency Supply Agency also stores its supplies in the organization's premises. The FRC can use these goods in exchange of procuring new ones. This ensures the goods circulation, since crisis situations occur less frequently in Finland.

In most cases, the procurements were made by three procurement officers. One was responsible for international procurements, one for medical and technical procurements for own preparedness and one for non-medical and non-technical procure-

ments for own preparedness. Depending on the situation, the projects were divided or transferred to another procurement officer.

During the internship it was noticed that in most cases the organization puts out to tender also the small purchases. The invitation to tender was usually sent to already known suppliers and more than two suppliers were used in a competitive tendering. In some cases the products such as medical devices were purchased straight from old suppliers in order to ensure the same model. In cases where the contract notice was published the responses to it were rare. The response rate for the contract notice depended on the nature of the procurement.

Since most of the procurements did not exceed any thresholds, the competitive tendering was done among self-selected suppliers. The suppliers used were commonly known in advance. The Logistic Centre's supplier database update was one of the tasks during the internship. The old details in the database were updated, but new suppliers were not contacted.

The Logistic Centre did not have any guides for procurement and the personnel asked assistance often from the organization's Logistic Coordinator. The most common problem areas were the necessary documents needed and the right progression of the procurement. An example was searched often from previous projects because there were not ready samples for all the necessary documents.

During the internship, an attempt was made to standardize the organization's document saving instructions. The goal was to have all the personnel to save the documents under the same name and form. If the documents are saved under the same name on the organization's database all members of the staff would find them without obstacles, when it is necessary. The project's paper versions are saved in a separate room for at least 10 years.

Over all the requirements set by the Act on Public Contracts was seen difficult to follow. During the internship the Act was demonstrated for the procurement personnel. Also, the ECHO's guidelines were discussed briefly. But during the summer the Logistic Coordinator left to another company and the training was not continued.

## 7.1 The MFA – relief supplies to Syria

The civil war in Syria has transformed in to a deep humanitarian crisis, which affects mostly on the civilians, mainly the young and the old. The citizens are suffering from lack of food supplies, water, basic supplies etc. (Peltonen 2012.) In the 2013 The MFA donated in its fall fund allocation process 14.9 million € to those countries, who suffers the most. From those 14.9 million €, 2.9 million € was directed to people suffering from the crisis in Syria. In 2013 the MFA donated a total of 11.4 million € as a Humanitarian Aid to Syria. (Website of the Ministry for Foreign Affairs of Finland 2014.)

### *The interview with Outi Amanor*

Outi Amanor, who works as a Procurement Officer for FRC was interviewed for this thesis about the MFA funded project in Syria. Interview took place on 18.11.2014 at the FRC' Logistic Centre. Miss Amanor was responsible for the procurement of the goods in this project.

The funds were donated by The MFA to use as a Humanitarian Aid in Syria. The Ministry donated 1 million euros to the FRC at the end of 2013. The funds were transferred on January 2014.

With that money, the FRC acquired 36 800 pcs of hygiene kits and 9 100 pcs of food parcels. The FRC' first plan was to acquire the following goods: hygiene kits, food parcels, blankets and women's emergency kits (WEK). But because of the increased need for food supplies and hygiene supplies on the field, the FRC got a request to focus on the food parcels and hygiene kits and to forget blankets and WEKs. The goods were procured for Syrian Arab Red Crescent (SARC), who was responsible for the distribution of the goods.

The hygiene kits were procured using the Negotiated Procedure without contract notice. The FRC decided to use the Negotiated Procedure, because even though acquired goods are common, the set is not. Also the amounts were big and there were a significant rush on the field. In the other procurement - food parcels, the FRC used

the Direct Award as the procurement procedure. The Direct Award was chosen, because the significant need on the field needed a rapid response. Also, food parcels given as a Humanitarian Aid have precise requirements and therefore they cannot be procured from any one. Table 3 below demonstrates the content of the used food parcel.

Table 3. Food Parcel Content List (Amanor 2014).

| ITEM/CONTENT LIST |                                      |  |  | PACKING                   |
|-------------------|--------------------------------------|--|--|---------------------------|
| 1.                | RICE                                 |  |  | 2 packs of 4 kg. Each     |
| 2.                | WHITE SUGAR                          |  |  | 1 pack of 5 kg.           |
| 3.                | BLACK TEA LEAVES                     |  |  | 1 pack of 900 g.          |
| 4.                | CHICK PEAS (Dry, Medium)             |  |  | 1 pack of 2 kgs.          |
| 5.                | COOKING OIL (in. Veg. Sun flower)    |  |  | 1 bottle of 1.8 liter     |
| 6.                | TOMATO PASTE (min. 24 % conc.)       |  |  | 1 can of 800 g.           |
| 7.                | CANNED BEANS RECIPE (ready to eat)   |  |  | 2 tin cans of 400 g. each |
| 8.                | CANNED TUNA CHUNKS/SOLIDS IN VEG.    |  |  | 4 tin cans of 160 g. each |
|                   | SUN FLOWER OIL (ready to eat)        |  |  |                           |
| 9.                | IODIZED SALT (Dry)                   |  |  | 1 pack of 500 g.          |
| 10.               | CANNED, FISH SARDINES (in Veg. Oil)  |  |  | 5 tin cans of 125 g. each |
| 11.               | WHITE BEANS (Small, Navy Beans, Dry) |  |  | 1 pack of 2 kg.           |
| 12.               | HALWA, TAHINI                        |  |  | 1 pack of 1 kg.           |
| 13.               | VEGETABLE GHEE                       |  |  | 1 can of 1 kg.            |
| 14.               | LENTILS (Brown/Red)                  |  |  | 1 pack of 1 kg.           |
| 15.               | BULGUR (Dry)                         |  |  | 2 packs of 1 kg. each     |

The FRC did not publish a contract notice in neither of the procurements, because the FRC needed to avoid the time limits. This was done to get the help fast to those in need. The FRC usually publishes the contracts notice in the development projects, where more time can be reserved for the procurement.

The FRC' chose the most economically advantageous offer as the selection criteria for the procurement of the hygiene kits. The selection criteria were price, delivery time and quality. The percentage weights were not specified in the invitation to tender. The products were tested by the Logistic Centre's personnel to evaluate the quality. The desired delivery date was mentioned in the invitation to tender.

The FRC sent the invitation to tender to the following five suppliers; Priyanka Middle East, Marketing-V, Toyop Relief, RVB International Ltd and GLS Dubai Office. These five suppliers were chosen, because they were considered to be experienced on supplying big amounts of hygiene kits in a short time frame. The food parcels were acquired from GLS Dubai Office, which can be considered as RC' own Logistic Centre. In this procurement, GLS Dubai Office was considered to be the best choice because they offered food parcels which fulfilled the standards set by the SARC. Being located in Dubai, also the delivery time was suitable.

In the hygiene kits, The FRC received offers from all the five suppliers mentioned above. The offers from RVB International Ltd and GLS Dubai Office were rejected, because they were incomplete. RVB International Ltd.'s samples did not include labels and GLS Dubai Office did not send requested samples. The FRC chose the Priyanka Middle East to be the supplier for the hygiene kits. The Priyanka Middle East's offered the lowest price for the products, desired delivery date and satisfying quality. The procurement decision was made 10.4.2014.

The award of contract made for the hygiene kits included the following information; quantities, product specifications, total price, buyer's information and destination information, payment terms, delivery terms, necessary documents and the FRC' Terms and General Conditions. The document was made by writing on the 9.4.2014. In the food parcel procurement there were not separate award of contract made; instead GLS Dubai Office's own document Logistics Service Request (LSR) was signed. There were two LSR documents, one for 6 000 pcs and another one for 3 100 pcs. The documents were signed 21.3.2014 and 2.4.2014.

The total cost for the hygiene kits was 392 288.00 €. The total costs for food parcels were for the first order 249 000.00 CHF and for the additional order 123 294.72 CHF. In euros the food parcels total would be approximately 305 512 €, using rates on contract dates (Website of the OANDA 2014). The contract award notice was not published in either of the procurements.

There were small delays in the shipments both in food parcels and hygiene kits. No compensations were requested from either of the suppliers. In these rapid Humanitar-

ian Aid projects, the FRC is more sympathetic for suppliers' small delays. Majority of the suppliers arrived in a good condition to Syria. There were suspicions that local custom officers may have taken few products from the shipment.

There were few difficulties/obstacles during the procurement process. The quality of the samples received from the tenders varied significantly. Some tenders did not send requested samples and some of the received samples did not have labels on them. The most common obstacles are difficulties in the customs in the country of destination. In these procurements, there were suspicions about local custom officers taking few products from the delivery.

In Ms. Amanor's opinion The Act on Public Contracts is quite difficult to remember and to follow. During procurements there are times, when it is hard to remember what is required. Especially after the Procurement Coordinator, whom responsibility the procurements was left to another company, the training of Act on Public Contracts decreased. Therefore the public procurement could need more specified attention, in a form of training.

## 7.2 The ECHO – clinic and shelters to Haiti

The FRC first real cooperation with the ECHO was in 2001, after earthquake in Gujarat, India. The earthquake occurred on 26<sup>th</sup> of January, killed 20 000 and injured 55 000 people. The FRC sent a field hospital in Gujarat, after receiving request from India. The organization was short of funding, but the ECHO reached out and funded the operation by 2.1 million euros. (ECHO information and communication 2002, 2; European Union Humanitarian... 2012.)

The earthquake rocked Haiti on January 12<sup>th</sup> in 2010. The earthquake occurred in the afternoon and was estimated to be 7 in the Richter scale. (Virtanen 2010, 7.) Over 200 000 people were killed and approximately 300 00 were injured. 1.3 million Citizens were left homeless. The costs from the earthquake were estimated to be 92 % from Haiti's Annual National Income before the earthquake. (Haiti 2010 – Suomen... 2010.)

*The interview with Tarja Huilla*

Procurement Officer Miss Tarja Huilla was interviewed for the FRC' ECHO funded project in Haiti. The interview was held on 25.11.2014 at the FRC' Logistics Centre. The operation included shipping a mobile clinic and shelters to Haiti.

The FRC' received donation to this project from the ECHO, also the funds from the Disaster Relief Fund was used. For the clinic the FRC had 774 498.00 € to operate, 700 000.00 € was received from the ECHO. For the shelters the FRC had 2 244 290.00 €, 1 998 900.00 € was received from the ECHO. From these funds the FRC acquired a mobile clinic to operate in Haiti and shelters for Haitians. All the information was public and available for the donor.

The objectives used in the project were same as those the FRC uses in their Emergency Relief Unit (ERU)-operations. Those objectives are to improve country's health care level after disaster and help people in need. In the Haiti's case the results were better than normally, before the earthquake the level of the health care in Haiti was negligible. Because of the contributions of all the organizations, Haitians were given an opportunity for health care.

The ECHO's ethical standards; Humanity, Impartiality, Independence and Neutrality are similar to the FRS's own standards, which are Humanity, Equity, Impartiality, Independences, Voluntariness, Unity and Universality. The FRC' personnel work in accordance with the standards. Therefore the ECHO's standards can be considered as fulfilled during the project in Haiti.

During the project, the ECHO's previous procurement guidelines were valid. The total amount of the procurement exceeded the thresholds. Therefore the organization's procurement guidelines were obligated to be followed. The FRC have their own written procurement guidelines, but they are not public. The FRC' guidelines are stricter concerning the thresholds and standards, than those set by the ECHO.

Because of the extreme rush, the goods could not be procured according to the normal process. The clinic was acquired straight form the FRC' own warehouse. This

allowed the clinic to be delivered to Haiti, only few days after the earthquake. Most of the shelters were acquired from National Emergency Supply Agency, which warehouses its supplies in the Logistics Centre's premises. The FRC has a contract with the National Emergency Supply Agency; the FRC warehouses their goods and have right to use the good in exchange for procuring new ones. Because of the need for shelters exceed the supplies in the Logistics Centre, the FRC made additional procurements directly from supplier in Pakistan. Those tents were delivered straight to Haiti.

The local economy was supported during the project, by hiring local staff for example to be a security, interpreter and kitchen staff. This is standard for ERU-operations. The fuel was also procured from Haiti, because it cannot be transported by airplane. One of the reasons the shelters and clinic was not purchased from Haiti, was that the country's economy could not handle such procurement.

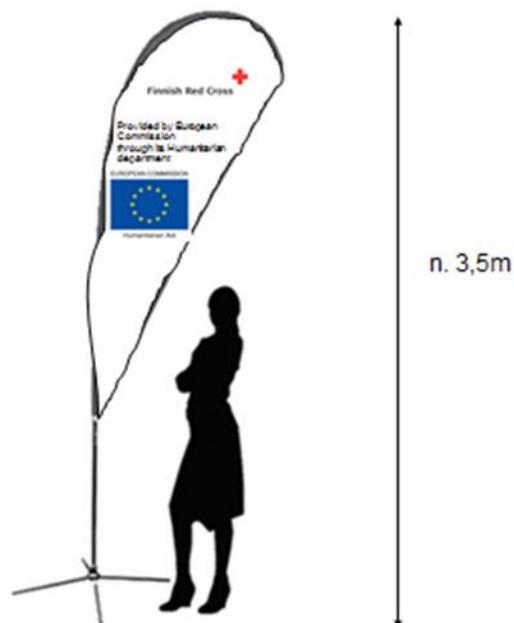
The goods were delivered on time and in a good condition. The airports in Haiti were overbooked and there were not enough storage space for all the relief supplies. Therefore the delivery of the shelters was delayed, partly because of the marks in the goods were not clear enough for employees from the other RCs.

The ECHO's visibility was ensured, by adding the ECHO's identification on the goods. The identifications were used also in the loading - and distribution phase. Picture 3 below is taken from shelters distribution site.

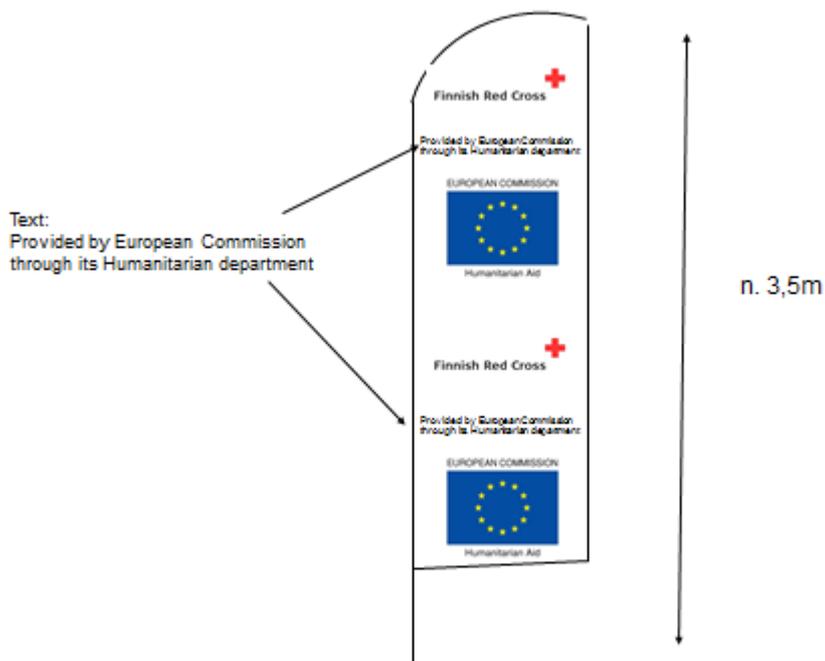


Picture 3: ECHO and RC visibility at the relief items distribution at Haiti (The Finnish Red Cross 2010).

The EU's contribution to the donation was mentioned in all of the FRC' publications. There were also plans to manufacture beach flags with the ECHO's identifications. The design is presented in the picture 4 and 5 below. The plan was not implemented.



Picture 4: Beach flag with ECHO's identification 1 (The Finnish Red Cross 2010).



Picture 5: Beach flag with ECHO's identification 2 (The Finnish Red Cross 2010).

The project was exceptionally long. The remaining goods from the clinic were released to Haiti Red Cross Society (HRCS) and Haiti Health Officials. The administration goods were given to HRCS and remaining clinic equipments and goods to Haiti Health Officials. Since the shelters were distributed to Haitians, there were no remaining shelters to release after project.

The problems that Ms. Huilla faced during the project were involved in the information needed in the report. Even though the ECHO gives freedom for the procurement of the goods; they are strict on the information needed in the reports. The guidelines could be clearer for the staff working with the procurements.

## 8 ANALYSIS OF RESULTS

The idea for this thesis was born during the internship of the writer of this thesis. The guidelines were seen difficult to understand and to follow by the organization's personnel. Based on the interviews and the observations, the following assumptions can be made; Humanitarian Aid supplies must fulfill strict requirements, but at the same

time the goods should be delivered rapidly to the country of destination. Therefore for example the time limits obligated by the Act on Public Contracts to be followed can complicate FRC' operations. The procurement process takes time which can have a negative effect on the project's result. People in country of destination may not have much time to wait for the delivery.

The FRC' answer is their own preparedness which includes clinics, shelters etc. But since the goods are bought in several lots to the warehouse, the procurement's total cost may not increase over the thresholds. Therefore the procurement guidelines may not be mandatory to be followed during the procurement. The procurements are made solely based on the FRC' own procurement guidelines, giving a great responsibility to the organization. Decision to do the competitive tendering is solely on the organization's hands.

In addition, the FRC knows a wide range of suppliers specialized in a supplying relief supplies. These suppliers are known to produce large amounts of relief supplies rapidly, according to set requirements. But using the same suppliers can have a negative effect on the competitive tendering. The extent of the number of suppliers has a crucial effect on ensuring the effectiveness of the competitive tendering. Especially, when the procurement unit does not send contract notice and instead sends the invitation to tender to suppliers of their choice, the procurement unit has a significant impact on the outcome of the procurement. The number and the diversity of the suppliers have great impact on the outcome of the tendering.

Since new companies are established and old ones are closed frequently, the search for new suppliers is especially important in organizations like the FRC. The organization acquires products that are not common in the Finnish markets, because of that they may not receive responses to the contact notices as often. Therefore the invitation to tender must be sent to possible suppliers by themselves. This leads to following situation; the supplier selection is based on personnel's own opinion and previous experience. Therefore the procurement unit may miss more affordable offers from unknown suppliers. Because of this, it is the organization's responsibility to look for new suppliers continuously.

*The MFA's guidelines*

Procurements done in the MFA sponsored projects must be done according to the Act on Public Contracts, since the funds are donated by the Government and therefore can be considered as public funds. The thresholds define how the process should progress. In the Syria operation, the procurements total costs exceeded the EU threshold 207 00 €, presented in the chapter 4.2.1. The procurement of the hygiene kits and food parcels should have been done according to the Act on Public Contracts, but there were few mistakes made during the process. There should not be any exceptions in the compliance with the Act on Public Contracts, if not otherwise permitted. Errors in compliance with the law can lead to complaints to the Market Court or to donor's refund claims. The significant detectable defects in the project are presented below.

In the procurement of the hygiene kits, the Negotiated Procedure was used. The grounds for the decision are equivalent to those mentioned in the chapter 4.2.2; the kits are not commonly sold in the markets. The most economically advantageous offer was used, but the weights of the values were not defined as mentioned mandatory in the chapter 4.2.3. The most economically offer ensures the quality of the goods and also gives the delivery time weighting. But since the weights on the values were not specified, the decision was made solely on procurement officer's opinion. The decision cannot be made according to person's own opinion; therefore the weights must be mentioned in the invitation to tender. Specification of the weighting of the criteria ensures equal treatment for all the suppliers. Accurate scoring specified in the procurement decision reduces also suppliers' chances to complain about the decision to the Market Court.

The criteria set; quality, price and delivery time are permitted to use. The set criteria are not considered to be discriminatory against suppliers. The invitation to tender included all the necessary information except the weights of the values. The opening ceremony was not made, but the offers information was written in a bid comparison document. The opening ceremony is mandatory to ensure the equal treatment. The offers should not be opened in advance and the opening ceremony must be documented for future reference. The supplier who offered the desired delivery time, low-

est price and satisfying quality was chosen, but the grounds for selection were left unclear. On what grounds that quality, price and delivery time was better than others?

The procurement process did not proceed in a correct order, as the award of contract was signed on the 9<sup>th</sup> and the procurement decision was signed on the 10<sup>th</sup>. The procurement decision must be done in advance and must be sent to tenders before the award of contract, because the suppliers must have an opportunity to complain about the procurement decision. The procurement decision included information about all the offers and grounds for the procurement procedure and decision. The award of contract must be made separately later on to avoid problems in the future. Even though the procurement unit does not need to comply with the time limits because of external reasons, the award of contract should not be sent before procurement decision has reached the suppliers. If the procurement unit fails to do all the parts of procurement in a right progression, they may need to prepare for Market Court or a pull-back of the grant.

Since the MFA do not require visibility on the goods, the lack of identification was accepted. Since the goods had RC' visual identification on them, should the goods have also the donor's identification on them. Specially, because the ECHO's identification is used in the ECHO's project. Government identification can also have a negative impact on the project in a man-made crisis such as the crisis in Syria.

The procurement of the food parcels was done as a Direct Award. The ground for the use of the procedure was according to reasons presented in the chapter 4.2.2; there were significant rush from external reasons. The contract notice was not published according to the grounds presented in 4.2.3; by not sending the FRC avoided the time limits. The goods were purchased from a competitive supplier, which offers goods according to field's requirements. The external reason is quite difficult to establish. In this case, the external reason was the man-made crisis in Syria which the FRC have not affected. But since the money had been transferred on January but the goods were procured in March-April, the FRC' actions to start the procurement fast can be questioned.

The procurement decision was not made even though it is mandatory. All though procuring goods directly from supplier, the necessary documents should be done. The signed LSR-document worked as the award of contract. A separate award of contract document was not made. The right documents can reduce possible problems in the audit. Also, if there is a problem in the delivery the official document with the necessary information allows compensations

No compensations were required because the delays in the procurements were minor. The FRC approach towards the compensation can be considered a good one. Minor delays which have occurred when working in a crisis situation may not be intentional. What is proper financial management; to ask compensations for all delays or to evaluate each delay individually? Since procuring Humanitarian Aid goods the procurement unit should consider all projects as individual situations and based on it determine if compensations are needed. In a crisis, the situation is in a constant flux. The FRC should require evidence for the reasons behind the delays in every case.

The contract award notice was not published in either of the procurements. As mentioned in the chapter 4.2.3 the contract award notice is mandatory in the procurements exceeding the EU-thresholds. Since the procurement of hygiene kits exceeded the EU-thresholds, the contract award notice should have been made in HILMA. In the procurement of the food parcel the second procurement can be seen as additional. But in my opinion the procurements should be considered as single, since the award of contracts are made so close to another. Additional order is usually a procurement made later during the project. The lack of contract award of notice can lead to carping in the Audit. The procurement personnel's responsibility for the procurement lasts till publication of the contract award notice.

The projects objectives – to improve hygiene conditions, and to provide food assistance, were achieved during the project. The goods were delivered on time to the SARC. From which the SARC distributed the assistance to Syrians. Since the project was conducted this spring, the final report has not been written yet. The MFA has not audited the project, since the organization still have time make the final report. The preparations for the audit should be made by the procurement officer in advance, to

avoid oversights. All the necessary information should be stored both in electronically and in a paper version,

### *The ECHO's guidelines*

The ECHO gives the organizations more autonomy regarding the procurement of the goods. Their procurement guidelines can be seen more as ethical instructions, since the organizations may use their own procurement guidelines. The written procurement guidelines are mandatory in procurements exceeding 60 000€ The FRC has the rules written down, but they are not a public document. The donors still have an access on them, if they request it. Even though the FRC has written guidelines for procurement, it should be a public document to ensure the requirements for transparency mentioned in the chapter 3 – definition of public procurement.

The procurement of the mobile clinic and shelters were done according to 5.2.1, which refers to situations where the Single Offer is allowed. Since the earthquake left thousands of people in need, the assistance had to be delivered quickly to Haiti. The Single Offer is acceptable in situations where the goods need to be transferred in few days but line between internal reason and external reason for urgency can be blurry. For example the natural crisis can be hard to predict but for man-made crisis assistance can be easier to plan.

The ECHO's ethical standards can be considered as fulfilled by the FRC, because they are same as those the FRC's operations are based on. The requirements mentioned from chapter 5.2.2 to 5.2.4 are the same as the FRC own standards and Terms and General Conditions used in the procurements. Even though the organization's standards are same, clear evidence should be provided of the fulfillment of the standards. Clear evidence may reduce problem situations at the end of the Action.

In the Haiti's Case there was no party of conflict since it was natural disaster. In crises which are caused by man, the FRC should focus to prevent their cooperation with party of conflict. Since, it is the clause which can be followed with organization's own choices. The clause for supporting the local economy presented in the chapter 5.2.2 was fulfilled, within the limits of the country's economy. After natural disaster

the local economy needs subtle support, which was achieved in the Haiti's case by hiring locals and procuring the fuel from Haiti.

The goods were delivered on time and no remediation, defined in the chapter 5.2.1, was required from Transport Company. The small delays from the Haiti's airport to the beneficiaries were partly caused by lack of storage and unclear markings. The delays were mostly explained by the crisis situation. In disaster situations both man and nature, the delays can be considered almost a must. Therefore every situation is different. In Haiti's case the FRC was extremely fortunate to deliver the goods on time. Clear and similar marking instructions for all the RC personnel could prevent misunderstandings on the field.

One of the ECHO's focus points are the visibility and communication during project. The FRC used the identification on goods and in distribution phase and therefore the visibility requirements can be considered as fulfilled. The ECHO's identification was visible from the Logistic Centre to the field in Haiti. The FRC did not use banners (Picture 2) during the project in Haiti. Since the clinic was operated as a mobile, the banners could be seen as difficult to use. The FRC designed beach flags with the ECHO's identification, but it was not implemented. The FRC complies with requirements of visibility satisfactorily and the beach flag offered a new possibility. The FRC should develop the idea further and use the beach flags in further projects where banners are not an option. Since the visibility is such an important part of the projects from the ECHO's point of view, the FRC's readiness to ensure the visibility is minimal. The FRC does not have a clear instruction for the personnel of the number of identifications such as stickers and their position on goods. This can lead to delays on departure and lack in visibility.

The remaining goods were released to the officials in the country of destination. The donation was made according to the instruction presented in chapter 5.3. Since FRC's principle is to donate remaining goods for local RC and Health officials, there may be problems during the release. Do the FRC even try to shift the goods to other project or do they just appeal to specific section to avoid the transfer?

The FRC left a final report, explained in the chapter 5.3, with the necessary information. The information needed was not clear enough for the Procurement Officer. Since the procurement was done from the FRC' own Logistic Centre, the procurements may have been done long time ago. Gathering information from old procurements can be a difficult job, if the information is not stored properly and information needed is not known exactly. The ECHO used their right for audit and the FRC passed the inspection, which means that the report included all the necessary information and the procurement was made well enough..

The FRC had defined required objectives for the project. The objectives were same as in other ERU-operations; to help people in need and improve the health care level. In Haiti's case the result were better than before the earthquake regarding the health care level, which improved. Based on this the project in Haiti can be considered as success for the FRC.

## 9 RECOMMENDATIONS

After interviewing the FRC' procurement personnel and analyzing the interview results and observations made during the internship the following recommendations can be made to improve the compliance with the donor's guidelines; Although, the FRC is highly efficient sending the ERU-units to the field, difficulties are encountered usually in the procurement or reporting phase. For example the mobile clinic was sent to Haiti in just few days after the earthquake, but the biggest problems were faced during the reporting. Also, the Act on Public Contracts and its requirements were seen as difficult to follow by procurement officer Outi Amanor. The results and observations made during the internship supports Ms. Amanor's opinion.

Based on this, the Logistic Centre's focus should be on training the personnel. The information presented in the chapter 4.2 provides the necessary information, which can be used as training method. Training is a great method to improve the personnel's knowledge on the subject. With right knowledge mistakes occur less frequently. The focus of the training should be on Open Procedure, Negotiated Procedure and

Direct Award. These three procedures can be considered to be the most used procedures in the Logistic Centre's point of view. Since the Law on Public Contracts is wide area, limiting the area can make the learning easier.

The correct progress of the process in each of the procedures should be clear for all the procurement personnel, to avoid mistakes and oblivions. Usually there is not time to seek the information for long; therefore every personnel should have summaries of the procedures nearby their desk, from which they can check the information needed. These summaries of the main procedures could be done during the training.

The main errors made when following the MFA's guidelines were missing weighting of criteria for the most economically advantageous offer and forgetting to publish the contract award notice. The personnel should determine the weight values for the set criteria and use a tool such as excel formula to define the most economically advantageous offer. The decision should not be based on procurement officers own opinion. The procurement unit must have written evidence about the decisions for further reference. Problems at these points can be considered to be grounds for supplier's appeal and donor's grant pull-back, therefore they should be minimized.

As mentioned in the chapter 6 the ECHO's guidelines can be seen more as an ethical and visibility guide, giving freedom for the procurement phase. Even though the ECHO does not have strict rules about the procurement; it is extremely strict about the reporting of the project. Therefore the biggest recommendations concerning the ECHO's guidelines are to focus on the visibility of the donor and report.

The FRC designed the beach flags (Picture 4 and 5) with the ECHO's identification for the Haiti operation, but the plan was not implemented. In cases like Haiti where the clinic was operated as a mobile the banners can be seen as difficult to use, the beach flag could be an alternative solution. The beach flags are easy to use and ensure visibility. Therefore they can be considered as a great alternative for the banners. FRC should develop the idea further. With ready model the flags can be manufactured faster if and when they are needed. The best solution would be to have the beach flags ready in the Logistic Centre, were they can be sent straight to ECHO funded projects. With clear visibility instructions such as the number of stickers and

their position, every member of the Logistic Centre can add the identifications on the goods. This reduces deficiencies in the donor's visibility during the project.

One of the biggest obstacles faced during the Haiti project was the information needed during reporting. Which reflects well the situation in the FRC; the organization operates extremely well on the field but during the reporting there are confusions. Even though the reporting is the headquarters responsibility, reporting guidelines should be informed to the procurement personnel working in the Logistic Centre. With accurate knowledge of the required information the procurement personnel can give the necessary information in advance, not when it is already late. The information needed is also easier to find when the project is in progress, instead when a new project has already started.

Since the products acquired for humanitarian actions are quite common such as shelters, the manufacturing of the goods can be considered not rare. Therefore in cases where the goods can be procured from other than the FRC's own Logistic Centre, the invitation to tender should be sent to several possible suppliers. The FRC should improve their supplier database by obtaining new suppliers options. A wide range of suppliers is a requirement for a good competitive tendering. Since the writer of this thesis updated the supplier database, the next step would be to seek new possible suppliers. The FRC could use their connections with other RC's.

#### *For further studies*

The Humanitarian Aid answers to tragic need after a crisis. The development aid can be considered to improve the public welfare in a long term. The MFA also donates money to development operations. The EU's development and cooperation funds are managed by the EuropeAid. (Website of the European Commission 2014; Website of the Ministry for Foreign Affairs of Finland 2014.) For further studies I would recommend to look on the organization's development cooperation-procurements. Because this study focused solely on the Humanitarian Aid procurements, which are usually required to happen more quickly than normal procurements. Therefore exceptions in the guidelines can be seen as more common in Humanitarian Aid procurement.

## 10 FINAL WORDS

This thesis provided an opportunity to research a frequently studied subject – the public procurement, from a different point of view. When considering the public procurement often comes to mind the procurements done by the municipal authorities and government authorities. This thesis studied the subject from humanitarian organization's point of view. The study showed how the public funds are applied and what are required from the applier – the humanitarian organization.

The goal for this thesis was to determine what instructions donors set for humanitarian organizations for the procurement of Humanitarian Aid goods. The idea was born during the internship of the writer of this thesis. The guidelines were seen difficult to follow and remembered by the FRC' procurement personnel. This thesis demonstrated the guidelines of main donors of Humanitarian Aid: The MFA and the ECHO. By using these two donors as examples, this thesis also had an opportunity to compare both Finnish - and EU guidelines. Defining the differences between the guidelines was one of the objectives of this thesis. It was shown that the ECHO's rules can be considered as more an ethical guidance. The ECHO is more focused on their visibility, giving more freedom for the humanitarian organization for the actual procurement. While the MFA requires the Act on Public Contracts to be followed during the organization's procurements.

This thesis provided a short introduction on the basis of the FRC as a humanitarian organization and its international operations. The procurement guidelines were divided into separate chapters to make the thesis legible and understandable. The guidelines were presented from applying the funds until the end of the project – donor's right for audit. The focus was on the procurement of the goods and donors' requirements for their visibility, since it is Logistic Centre's main responsibility.

To ensure that the research was not just a theoretical study there were two projects used as case projects in the empirical part: humanitarian relief supplies to Syria and a mobile clinic and shelters to Haiti. By analyzing these projects the FRC' problem areas regarding the procurement guidelines were defined. Though there were not any

significant grievances this thesis provided solutions for personnel working in the Logistic Centre. The suggested solutions may help to improve personnel's working performance.

The research can be seen as valid since there were significant similarities with the interview results and observations made during the internship. By using the two cases as examples, a clear image of humanitarian aid project as a whole process was presented for the reader. Because the Humanitarian Aid projects are different every time, also the procurements can vary between different projects. Therefore the research results could have been slightly different if other projects had been used. However, the observations generalized results. This thesis provided recommendations for the areas of development. By acting accordingly the FRC can improve the quality of the procurements.

There were doubts about the diversity of the sources since there are not as much literature written about the ECHO and its guidelines, compared to publications regarding the Act on Public Contracts. Since the thesis focused on the procurement guidelines for Humanitarian Assistance which tend to change frequently, the use of the electronic sources were justified to provide accurate information. The sources reliability was ensured by using the most updated choices, the electronic sources.

In my own opinion this thesis presented the whole process carefully and gave answers to all research questions. For me the theoretical part of the report was easier to write. The obstacles I faced during this project happened during writing of the empirical part of this thesis. Interviewing the Logistic Centre's personnel was easy for me since the topics were familiar for me, as well as people. The conversations progressed well. I noticed that I experienced difficulties describing my findings carefully enough, so that reader whom the subject is not familiar can also understand it. For my next research, I would concentrate more on the interview questions. Because in this research I noticed the structure of the questions was not always ideal.

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### **Interview questions for Outi Amanor**

Please describe your position in the organization and the main responsibilities

1. Who donated the funds?
2. How large was the funding?
3. What was acquired with that money?
4. Where there any changes in the acquisition or in the amounts?
  
5. Which procurement procedure was used? Why?
6. Did you publish the Contract Notice? When?
7. What kind of invitation to tender was made?
8. How many offers were received? Were all acceptable?
9. On what ground you chose the supplier?
10. When the Contract Award was made? Was it made by writing?
11. Did you publish award notice in HILMA? When?
12. Did the supplier deliver the supplies on time and in what condition?
  
13. What kind of difficulties or obstacles you faced during the procurement process?
14. What guidelines you needed to follow?
15. Where the guidelines set by the funder sufficiently clear for you?

### **Interview questions for Tarja Huilla**

Please describe your position in the organization and the main responsibilities in the organization

1. Could you please explain the Project- Clinic and shelters to Haiti?
2. Who donated the funds?
3. How large was the funding?
4. What was acquired with that money?
5. Were there any changes in the acquisition or in the amounts?
  
6. What were the objectives for the operation?
  - a. How those objectives were fulfilled?
7. Where the ECHO's ethical standards fulfilled?
8. On what grounds the supplier was chosen?
9. How transparency of the information was ensured?
10. Did the procurement exceed 60 000 €
11. Did the FRC operate with party in conflict?
12. Did you support local economy in this operation? How?
13. Were the supplies delivered on time and in good condition?
14. How the visibility of donors was guaranteed?
15. What happened to the remaining goods after the project?
  
16. What kind of difficulties or obstacles you faced during the procurement process?
17. Where the guidelines set by the funder sufficiently clear for you?