

Responsible, ethical purchasing and supply chain management

Thursday, July 9, 2009

International Aid & Trade, Washington D.C.

By Deborah Brody

Is there a role for morality and efficiency in NGO procurement and supply chain management? That was the question moderator Brian Hanrahan posed to a panel representing large and small aid organizations.

Supply chains and procurement processes are especially vulnerable to disruption and corruption in less developed countries where humanitarian organizations typically operate. Any organization sending material to developing countries is at risk of corruption in the supply chain, says Marie-Luise Ahlendorf of Transparency International. Major risks include: blockage to aid resources (e.g. demand for bribes); diversion during transport (e.g. corrupt or unreliable

drivers); tampering with inventory; diversion of goods during storage (e.g. looting of warehouses).

Transparency International is creating a handbook that will recommend policies to help organizations identify and combat corruption. Policy solutions include creating strategic partnerships with experienced and reliable shippers, instituting inventory procedures (such as using information technology), and most importantly, training staff in transportation logistics.

Advance Aid Director David Dickie argues that because there is a higher risk and a large environmental impact created by bringing aid to Africa from other locations, it would be more effective to manufacture emergency items in-country. Making African



Speakers



Moderator:
Brian Hanrahan
The BBC



Marie Luise Ahlendorf, Global Programmes Department, Transparency International



Elizabeth Critchley
Senior Logistician, International Services, American Red Cross



Joice Williams
Procurement Officer, American Red Cross



David Dickie
Director, Advance Aid



Joseph Fernandez
Founder and Executive Director, Trade Without Borders



Michael Casella
Acting Vice President, Administration and Finance, Millennium Challenge Corporation

Workshop report from the
2009 Aid & Trade Event

2009
INTERNATIONAL
AID & TRADE

9-10 July 2009
Washington D.C., USA

Building Partnerships for Relief & Development

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Getting the right equipment to the right place at the right time

companies more competitive and creating jobs would holistically help improve the African economy, which has the highest level of unemployment worldwide.

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The procurement decision is not always financial, since environmental and social impacts are considered. Bringing aid from abroad creates a higher carbon footprint. There is also the risk of delay, leaving the supply chain vulnerable.

Joseph S. Fernandez of the nonprofit social enterprise Trade without Borders agrees with Dickie. His organization is working to procure goods from micro-entrepreneurs and enable micro-manufacturers (such as small local artisans). Trade without Borders aggregates product requirements for small retailers, NGOs, and micro-entrepreneurs, placing larger orders with manufacturers and suppliers in order to save money and resources.

Trade without Borders seeks to use properly certified factories. Factories would be pre-qualified using a “social responsibility audit.” The audit would measure important social and ethical concerns such as child labor, forced labor, discrimination and health and safety.

Global aid organizations, such as the International Red Cross, regulate their purchasing under applicable laws.



Anyone can do business with the Red Cross and the organization has strict guidelines to disallow favoritism.

Like the Red Cross, the United States government agency, Millenium Challenge Corporation (MCC) operates worldwide. The MCC works on large-scale, long-term poverty reduction and infrastructure development in 18 countries around the world. Their five-year programs are funded upfront by the United States Congress.

Because of its scale, MCC has several procurement guidelines. Among the rules governing procurement are no sole source procurement, a mandate to maximize competition and the increased use of firm, fixed price contracting. Country representatives manage local procurement according to MCC Procurement Principles: transparency, fairness, competition and openness to anyone.

MCC insists on independent review. To ensure fairness in their system, MCC relies on standard bidding documents

if the organisation also enforces strict environmental guidelines. MCC is using its procurement website as a one-stop shop for bidders. In 2009, the MCC created a Fraud and Corruption Policy aimed at preventing, detecting and remediating fraud and corruption. A major portion of the policy deals with increasing staff training and improving communications.

“The bottom line is to get the appropriate goods to the victim.”

The American Red Cross adheres to strict procedures and code of conduct in international disaster relief. In joint process with the International Federation of Red Cross (IFRC), the Red Cross can reach 5,000 families within two days. The ready availability is because goods are pre-positioned in places like Dubai, Panama and Kuala Lumpur.

Before any disaster strikes, warehouses are procured in an extremely regimented and needs-based system. The Red Cross specifies 10 products (a full listing is available at www.icrc.org/emergency-items). The advantage of this system is that people on the ground know the exact specifications of the products, and how the supplies are packaged.

“The bottom line is to get the appropriate goods to the victim,” advised Elizabeth Crichley from International Disaster Services at the American Red Cross.

