

**SoH Standard Operational Procedures**

# LOGISTICS

Version: 1.0		<b>1 of 45</b>
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These **Standard Operational Procedures (SOP)** for logistics management are approved and set into force by the board of SoH. They are a binding description of the operational procedures of SoH at all levels and mandatory for all staff starting from 01.10.2019. A trail period between 01.03.2019 and 30.09.2019 will be given to assure a smooth implementation.

The handbook consists of a narrative description as well as templates and formats attached to it as part of the annexes. Some of them are mandatory and not allowed to be changed. In other cases templates serve just as examples or references, which may be adopted at location level to the particular need.

To implement the SOPs determined in this handbook, it is of utmost importance that all SoH staff intensively consult this document on a regular basis.

Version: 1.0		<b>2 of 45</b>
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Status as of: 28.02.2019	Signature:	Signature:

## Table of Content

1	Introduction and Definitions .....	7
1.1	Logistics Reporting .....	7
1.2	Filing and Documentation .....	8
1.3	Contribution to Project Planning .....	9
1.4	Standards/standardisation .....	10
1.5	Market Analysis .....	10
2	Inventory / Fixed Assets management .....	11
2.1	Maintenance of depreciation table .....	11
2.2	Inventory / Fixed Asset List .....	12
2.3	Insurance of Material .....	13
2.4	Maintenance/Repair .....	13
3	Procurement .....	13
3.1	Planning for procurement .....	13
3.2	Starting a procurement process .....	13
3.3	Determination of requirements .....	14
3.4	Check of Financial Viability (budget, liquidity) .....	15
3.5	Tendering .....	16
3.5.1	Types of Procurement and Authorisation Procedures .....	16
3.5.2	Competitive Bidding .....	18
3.5.3	Business opportunity .....	19
3.5.4	Code of Conduct .....	19
3.5.5	Business Ethics .....	20
3.5.6	Documentation of Procurement Activities .....	21
3.5.7	Solicitation Documents .....	21
3.5.8	Evaluation of Offers/Proposals and Award .....	23
3.5.9	Consideration of Value Added Tax (VAT) .....	23
3.5.10	Framework agreements .....	24
3.5.11	Derogations .....	24
3.6	Ordering .....	24
3.7	Order Control .....	25

Version: 1.0		<b>3 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

3.7.1	Expediting / Contract Management.....	25
3.7.2	Receiving, Rejection and Claim .....	26
3.7.3	Payment.....	26
3.8	Contracting for Services .....	27
3.9	Control of Delivery.....	28
4	Humanitarian Aid procurement of food, medicines and medical supplies.....	28
4.1	Scope and Definitions .....	28
4.2	Medical Supplies .....	29
4.3	Medical Devices .....	30
4.4	Veterinary medicines.....	31
4.5	Destruction of Medical Supplies, Medical Devices and Veterinary Medicines .....	31
4.6	Food supplies and transfers .....	31
5	Transport Management .....	32
5.1	Routing .....	32
5.2	Means of Transport .....	32
5.3	Formalities/Documentation.....	32
5.4	Tracking.....	33
5.5	Transport Insurance .....	34
5.6	Safety and Security .....	35
5.7	Transport of Passengers .....	35
5.8	Vehicle Fleet Management.....	35
5.8.1	Procurement of Vehicles .....	35
5.8.2	Integration in fleet / Start of use .....	36
5.8.3	Vehicle Fleet Reporting.....	38
5.8.4	Incident Reporting .....	38
5.8.5	Maintenance and Repair .....	39
5.8.6	Disposal of Vehicles.....	39
6	Storage and Stock Management.....	40
6.1	Storage Criteria .....	40
6.2	Reception of goods .....	41
6.3	Stock Control / Stock Counts / Floating Assets Accounting .....	42
6.4	Security .....	42
6.5	Insurance.....	43

Version: 1.0		<b>4 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

6.6	Release of Goods.....	43
7	Discarding.....	43
7.1	Disposal.....	44
7.2	Sale .....	44
7.3	Repatriation / Reallocation / Transfer .....	44
7.4	Donation .....	45
7.5	Loss.....	45

Version: 1.0		<b>5 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

Abbreviations used:

BH	Budget Holder
CBA	Comparative Bid Analysis
CFT	Call For Tender
DVR	Damage and Variance Report
GMR	Generator Monthly Report
HHE	Household Equipment
HOC	Hand-over Certificate
ICT	Information and Communication Equipment
INCO	INCOTERMS
ITB	Invitation To Bid
LPO	Local Purchase Order
NLD	Non-liability declaration
NOW	No Weapons
OFE	Office Equipment
ORL	Open Requisition List
PM	Project Manager
PO	Purchase Order
PRF	Procurement request Form
RDR	Recommended driving rules
RFQ	Request for Quotation
RPO	Regional Purchase Order
SCM	Supply Chain Management
SDL	Standard Drug List
SIV	Stock Issue Voucher
SML	Standard Material List
TPE	Technical Project Equipment
VEH	Vehicles
VMR	Vehicle Monthly Report
VOG	Vehicle Operation Guidelines
VOR	Vehicle Overall Report
VSF	Vehicle Service Form

Version: 1.0		<b>6 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

## 1 Introduction and Definitions

Logistics means the professional supply chain management of an organisation, starting from providing basic data as basis for information and planning of coordinators and managers and basic services to projects and programmes, over proper procurement, efficient transport, and appropriate stock management as well as maintenance of assets up to finally disposing items according to the requirements of the organisation.

### 1.1 Logistics Reporting

There is a general task for logistics to keep track of everything which is logistic wise happening in the organisation. This requires a logistic information system which is covering the whole logistic structure and must come out of the logistics line management. This means that beside the hierarchical command line from programme management there is always a functional line reporting for logistics management (similar to other line functions like finance, personnel, but also health etc.). The line management must ensure that there is a compliance control ensuring that all logistics rules and procedures are applied and observed. It must monitor everything in relation to logistics, detect problems and deviations and must find solutions or to initiate corrective measures to any issues that may arise. Of particular importance in logistics is the antifraud and corruption policy:

<https://www.hoffnungszeichen.de/english/accountability>

The line management must furthermore ensure that all reporting and documentation is executed according to all standards. We can distinguish between standard and special lists and reports. The standard lists and reports are giving information on general standards as set forth by the organisation.

On the other hand special reports provide all information related to the current status of all ongoing logistics activities and all items under SoH control. These reports must be maintained at all times when a new event is occurring and usually then entered into the logistics line management reporting on a monthly basis. The most important reports are:

- *SoH Inventory / Fixed Assets List (SIL, FAL)*: this lists gives all information required for management regarding items under SoH control/possession
- *Open Requisition List (ORL)*: this lists provides an overview regarding all open requisitions for humanitarian or development project materials (current status and whereabouts).
- *Shipment expected/arrival list*: this act as a control list for each SoH location to register and monitor all incoming shipments
- *Vehicle Monthly Report (VMR)*: evaluates the use of a vehicle and related costs observed on a monthly basis
- *Vehicle Overall Report (VOR)*: evaluates all VMRs to produce information for the organisation's fleet management and to update standard lists
- *Monthly Stock Reports (MSR)*: reports on all information related to floating assets in SoH's stock
- *Damage and Variance Reports (DVR)*: reports on loss or damage upon reception of goods

Version: 1.0		<b>7 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

## 1.2 Filing and Documentation

Logistics is the focal point to establish, to maintain and to permanently update logistics documentation. The documentation task has among others a specific importance for audit purposes (audit trail) and reliable reporting to donors.

*Life Files:* In this regard particular “life files” of items are playing an essential role. These files gather all information for one single item relating it to the major events that occurred throughout the procurement process, transport, storage, usage and disposal, hence providing information on all steps in the life of an item during the period it is under control of SoH. A life file must be established in the case of:

- a durable or valuable item or asset
- value greater than 100,-- €
- all ICT material

This means that this particular file is strictly item and location oriented. It proves how the item arrived to the location, what the current status is there, and where it has been sent for. In general, a life file is a supplementation of the information given for the particular item in the inventory list by providing much more relevant details about it. Each life file should have a cover page providing the following information:

- photo as an option
- inventory number
- description of the item
- brand/model
- starting date of the life file at location
- closing date of the life file at location

All life files must be sorted by the inventory number.

*Procurement File:* This is another type of file which must be distinguished from the life file. The procurement file contains all information related to one procurement event, from the moment of receiving notice of the order request until final delivery and handing-out. In this sense the procurement file is not item related, but single procurement activity oriented for one or several items or even whole batches. The procurement file contains the following documents and information in this order, and is separated by dividers for easy reference:

1. Procurement Request and related communication with requestor
2. Company names and contact persons for suppliers solicited
3. Copy of the request for quotation (RFQ) or invitation to bid (ITB)
4. Original offers/proposals from responsive suppliers, including all related correspondence
5. Evaluation of offers/proposals or approved waiver, justification for supplier selection and award price; comparative bid analysis (CBA)
6. Justification for lack of competition when less than 3 bids were received
7. Copy of the Purchase Order or Service Contract including orders for inspection and insurance, if applicable
8. Expediting documents
9. Customs clearance documents (in the case of international procurement)
10. Copy of the SoH Delivery Note / Reception Report;
11. Copy of the supplier invoice
12. Other documents and correspondence related to the contract

Version: 1.0		<b>8 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:



This documentation task has a specific importance for audit purposes (audit trail) and reliable reporting to donors, thus proving that the meaning of logistics in the organisational setup may never be underestimated.

### 1.3 Contribution to Project Planning

Already in the planning stage of programmes and projects, logistic information is required. From the logframe as the result of the planning process of activities the need for means and the resulting bill of quantity are derived indicating quantity and sort of items needed for the implementation of the project. It is of advantage to be as specific as possible detailing information on the quality of the items for having a clearer idea on cost implications. Once nature of item, quality and quantity is defined, sourcing must start, meaning where from to obtain the items needed. Sources have a direct impact on ways and means of transport, hence giving another indication on the costs which must be expected during later implementation. Furthermore, related storage during transport period and/or storage between delivery and final use must be taken into account while planning a project.

As such logistics can give a fundamental service to programme management. To enable Logistics to fulfil this important task, a standard source of information is needed which gives the following information

- Sorted by item for different ranges of goods
- Basic unit for calculating quantity of item
- Standard price of item per unit

Then additional information is helpful, like

- Packaging/content of packaging/dosage/concentration
- Model
- Brand
- Supply sources/suppliers
- Specific suppliers' prices

Much of this information can be found in the Standard Material List (SML).

The information going into the SML depends upon a detailed evaluation of previous procurement processes and experiences made in past programmes and projects. For this detailed evaluation following information must be registered by the Logistics:

- Proven usefulness of a product/item
- Price advantage of an item
- Quality requirements/distinctions
- Adaptability
- The right source for an item

Information collected in such a way in different locations should always be sent to the central focal point for Logistics in SoH on a regular basis to assist in further working out this SML for a better global usage within SoH. This might require as well the establishment of a specific Sub-SML on location basis which must be shared with the focal point for comparing it with other Sub-SMLs and, if advisable, to enter the information for everybody into the overall SML. Therefore, this location SML has also to be based on the basic structure of the general SML.

Version: 1.0		<b>9 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

To keep the information up to date, the SML is to be revised and if necessary updated every six months, i.e. before 1st of January and 1st of July of a year.

#### 1.4 Standards/standardisation

Through standards set by SoH for specific items certain uniformity can be ensured throughout the organisation. This uniformity produces a better system for spare part supply, for potentially getting discounts because overall quantity per item might be higher, make it easier for SoH staff when changing location etc. Misunderstandings in naming or translating items can be avoided.

There are e.g.:

1. Standard Material List: listing a number of articles of different kind and groups by providing comprehensive related logistical information such as standard price, supply sources, packaging etc.
2. Standard Work Place: describes the setup of the ICT architecture of SoH and provides minimum requirements as purchase criteria for buying hard- and software
3. Standard Vehicle Fleet: lists the details which must be observed and to be decided upon when conducting a vehicle purchase
4. Standard Drug List: this is a specific material list referring to drugs used as a standard by SoH
5. Standard recommendations for drivers: this is a standard code of conduct for individuals in SoH driving cars

#### 1.5 Market Analysis

Market analysis must be conducted constantly to obtain the most relevant information for improved decision making in the organisation.

In the context of the SML it is also necessary to establish and maintain a Register of Pre-qualified Suppliers as a prequalification catalogue. This register might be helpful for example in case of procurement conditions of certain donors for easing and/or speeding up the process. This register must provide all relevant information per supplier and must also reflect positive or negative experience previously made with this supplier. The following details are required per supplier:

- Registration certificate
- VAT certificate
- Geographical location
- Communication accessibility (phone/fax/email/webpage)
- Contact person
- Previous performance
- Reputation
- Financial standing
- Products to be supplied from there

This register can be used in order to increase the rate at which suitable suppliers are found for requesting quotations or for a restricted tender.

Another option are restricted invitations to tender where a pre-selection of tender candidates takes place by a call for expressions of interest. The purpose of such a call is to gather applications and to gauge the candidates' technical and financial respectability in the

Version: 1.0		<b>10 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

preliminary phase. The call for expression of interest is usually published in the press and often at web sites as well. This publication should contain:

- full description of the object(s) of the call,
- details on how to deliver, post and present an application,
- criteria used for short listing candidates.

Logistics must also observe the technological development of supplies to determine implications for SoH needs and requirements. This might end up in recommendations to postpone a purchase until newer technology is available. This is science and market oriented. Another direction of observations must be followed within the organisation. How have products procured to the organisation proven to be useful in regards to efficiency or effectiveness, where not, why not?

Prices may vary drastically over the locations where SoH is working. Therefore LOG must constantly compare the price development over the locations for the final decision where to buy what. Here the Sub-SMLs play a very important role. Not only is the price alone deciding factor on the purchase order, but “value for money”. Meaning that price is one important indicator, however related details like stage of technology, after-sales service and many other aspects more must also be considered. It is important to note that not every item is available everywhere. Also in this case, the SML will help in providing early information from where to procure the requested item.

The resulting information from all these activities is ending up in the Standard Material List as information which is constantly being updated.

## 2 Inventory / Fixed Assets management

Since almost all assets are procured through Logistics, this section has a major role to play in asset management. Logistics must ensure, maintain and update inventory and fixed asset lists on a regular basis, and provide for a smooth interface to financial management where asset accounting will be ensured. This refers particularly for the stage of procurement, when the procurement request (PRF) must be verified and checked for dealing with an asset or supplies. Logistics plays also an important role when it comes to the end of the asset under the property of SoH.

The end can be the sale of the asset if it still has a market value. For example, the selling of a vehicle creating a certain income can subsidise the procurement to replace the asset sold. In this case the voucher documenting the sale and income achieved must be attached to a separation note and be sent to finance for entering the respective information/data into the accounting system. A copy of the set of documents must be filed into the life file of the asset to mark the end of file.

Another end of the asset can be damage after an accident or losing the asset for example by theft. In this case again a separation note will have to be filled out and sent as a voucher to finance. There it will be booked as a loss and HQ informed to de-activate the asset from the central fixed asset register.

### 2.1 Maintenance of depreciation table

Depreciation is a term used in accounting, economics and finance with reference to the fact that assets with finite lives lose value over time. In accounting, depreciation is a term used to describe any method of attributing the historical or purchase cost of an asset across its life

Version: 1.0		<b>11 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

use, roughly corresponding to normal wear and tear. It is of most use when dealing with assets of a short, fixed service life, and which lose value over that life. (WIKIPEDIA 2007)

In order to be able to depreciate an asset it is important to know the period for which it makes sense to depreciate the asset, i.e. distributing the purchase price over a particular duration of use to reflect the loss of value during this period. For this purpose, SoH has established a depreciation table. For better transparency the depreciation table sorts the individual entries into categories by item types:

- ICT: Information and Communication Technology
- HHE: Household Equipment
- OFE: Office Equipment
- VEH: Vehicles
- TPE: Technical Project Equipment

These categories are as well reflected then in the individual inventory number.

## 2.2 Inventory / Fixed Asset List

Each location must establish and maintain a respective inventory list which acts as a register of all tangible items and assets at a value above 50,- € in possession of SoH and managed at that location. This refers to all tangible items in use by the location. All other items are floating assets which are registered through the reporting in stock management. No consumables such as pens, papers etc should be entered into the inventory; they are rather handled in stock management.

The SoH Inventory List is all the real time actual information provided about:

- Inventory number
- Item description
- Brand/Model
- Serial number
- Quantity
- Location of purchase
- Date of purchase
- Purchase price
- Voucher number
- Ownership
- PN under which purchased
- Monthly depreciation rate
- Date end of depreciation
- Located where
- Remark

The inventory number follows the system of CC-LOC-CAT-XXXX, where

- CC stands for country code
- LOC for Location Code
- CAT for Category Code
- XXXX for four digits serial number.

Version: 1.0		<b>12 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

The inventory list must be updated with every change and sent in latest version to central level on a monthly basis, together with the monthly report. All inventory items sorted out from the active inventory may be shifted from the active inventory list into an analogue Archive Inventory List to keep the active list more transparent. However, all information of any inventory items over the past 10 years has to be made available anytime on request!

### 2.3 Insurance of Material

It may not be forgotten that goods SoH is procuring and/or handling have a defined value for which SoH is accountable to ensure that goods will be received, transported, stored, used and maintained in good order without loss in value by losses and/or damage until the goods leave again the responsibility of SoH. Therefore as a general task, LOG must always monitor options and ways for insuring appropriately all material under SoH responsibility. A decision must be guided by a suitable cost/benefit consideration. Sometimes the premium for insurances is higher than damage/loss to be expected. In such a case insurance will not make sense.

### 2.4 Maintenance/Repair

The same refers to maintenance and repair of goods under SoH responsibility. Maintenance and repair are essential measures to ensure undisturbed usage and to reduce loss of value. This is an issue which particularly must be taken into account when looking for supplies (spare part availability, spare part prices, and supply chain) and suppliers (after sales service, service contracts, etc).

## 3 Procurement

Procedures for Procurement & Tendering are valid for all operations in SoH, both at HQ as well as in field locations or regional offices. In case of project funding from other external funding organisation, the concerning donor may have own procurement and tendering procedures. For those elements in which the donor procedures are stricter than the laid down procedures of SoH are stricter, the current procedures will be followed. Contracts may not be split up artificially in order to bypass the applicable procedures. As competitive tendering is the general rule, the negotiation procedure should be used in exceptional cases only.

### 3.1 Planning for procurement

All project proposals need to be annexed with a Procurement Plan (PP) in case the (joint) value for procurement of Goods and/or Capital Items is > € 1000,--. The PP has two functions. Before the project approval the PP is used to assess the project's local logistical circumstances, project needs and description of goods, etc. After approval of the proposal the Procurement Plan has the function of a logistical work-plan. An example of a PP can be found in annexed documents.

### 3.2 Starting a procurement process

First of all the preconditions (approved budget, liquidity, budget control / budget situation) and frame conditions (situation, authorisation levels and procedures, asset management, donor conditions) must be considered for starting any procurement. As a rule, all SoH projects are based on a budget. All budgets require prior proper approval before they can be applied. Once a budget is approved, the authorisation mechanisms to spend money out of the approved budget are eased, but still some authorisation procedures refer. As long as a budget is not approved, all expenditures under the respective non-approved budget require more intensive approval procedures at HQ level, since the risk for the organisation for each EURO spent is greater. The moment, an approved budget receives major changes (here we are not talking about a certain percentage like e.g. within budget donor lines), all changes require a

Version: 1.0		<b>13 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

consolidated amendment to the previous budget to be approved again by HQ (similar to procedures from donors). Therefore, we have always to strictly distinguish between an approved and a non-approved budget. Furthermore, it must be distinguished between goods, works and services to be procured. In general, there is not a big difference between procuring goods, works and contracting services, but the specialities for “services” are discussed further below under “Contracting Services” (Contracting for Services).

See also the SoH Procurement Authorisation Procedures - Flow Chart - Version 2.0 (based on approved budgets) in chapter 3.5.1.

Anybody intending to sign a purchase order must ensure that the required authorisation to sign is obtained prior to sign any purchase order. Through these explanations it can already be seen that there are different aspects to be observed from the beginning of procurement.

### 3.3 Determination of requirements

After all these considerations a procurement process physically starts with assessing what is needed (which item), specifying it as much as possible (quality, model, brand), and how much of it (quantity of the item) must be sourced. This “shopping list” or bill of quantity (BOQ) normally must be justified by a supporting document (like a simple calculation table or any internal form in use for that purpose) showing for what exactly and why this procurement is needed. The bigger the sourcing the more the justification must be detailed and substantiated. All this assessed or, better, measured information must be entered into the SoH Procurement Requisition Form (PRF). The PRF which is the first and basic document for any official procurement carried out by SoH thus represents the start of the audit trail in logistics. When filling out a PRF goods to be sourced have to be bundled in a way, that they are entered into one PRF per lot, means related to each other, either by nature, or budget line, or other facts.

The numbering of the PRF is done automatically in the Document Management System. Therefore the PRF is stored via the store dialog: Procurement Requisition Form. Here it is mandatory to fill out the entry fields for Department, Project Number, Title, Country, Location, Staff member and Date. The fields for Cost Carrier, Cost Objective and Cost Type are also relevant, some information can be completed by someone from finance or the PM.

The PRF requires the signature of the requestor and the approving signature of the budget holder (BH), mainly this is the Project Manager (PM). Once the PRF is approved it is sent to the next Logistics for sourcing. All this steps can be automatically done with the DMS. At Logistics, it will be checked whether and which of the items can be covered from stock (for procedure see filling out “Store Issue Voucher” (SIV) 6.6) and which items must be procured.

Filling out of PRF has to be done by partitioning items to be procured:

- Per procurement location
- Per lot
- Per approval procedure

The location issuing the PRF has to include a recommendation on the PRF which should be the procurement location (point of filling out or elsewhere). As final procurement location should always be chosen where the best value for money can be obtained, where optimum speed of delivery can be ensured and where sufficient handling capacity is available.

As a rule the budget holder is responsible for the content of the PRF. The budget holder might delegate filling out of the form to another person, however with his/her signature the

Version: 1.0		<b>14 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

responsibility for the content is taken over by the budget holder. The requested delivery date on the PRF must be at least four weeks after the date of issuing the PRF to give enough time for the procurement process and also to consider time requirements for transport. This also indicates the need for the budget holder to plan and order much ahead in time, reflecting as well distance and complexity of the supply chain.

Once a PRF number is issued this respective procurement document must be entered into the Open Requisition List (ORL). This list is used as a tool to keep track of a specific requisition, where it is at the moment, what is the current status of processing, and will be used at the end to monitor the overall logistics management, particularly the speed of processing one requisition from issuing to delivery of the goods. With this, the ORL helps to ensure the required transparency to allow for professional planning and management, when it comes to logistics. Main information coming from the ORL is:

- Issuing date of PRF
- Way bill number
- Delivery Note number
- Source location (from where it is procured)
- Date of delivery
- Number of delivered items / number of total items
- Remarks/observations

### 3.4 Check of Financial Viability (budget, liquidity)

All procurement activities require from the start a number of counterchecking with the financial side. This necessitates a smooth management of the interface between logistics and finance (or budget holder). Depending on the respective management setup this interface must be observed to be well functioning.

A basic check of financial viability is to assess the value of an anticipated procurement in terms of calculating item price times the quantity. Furthermore, costs resulting from transport or other procurement related costs (insurance, fees, duties, taxes, etc.) must be included in the assessment. Then the assessed amount must be checked against the respective project budget, budget line and type of expenditure to see whether enough funding was foreseen for this procurement at the planning stage. Next is to compare the budgeted amount with the expenses which have already incurred under this budget line, hence a specific budget control. Nevertheless, also the remaining project life time must be scrutinised in order to plan ahead for other procurement which still might become necessary under this budget line. When these values are determined, the resulting value for the actual procurement can be fixed. This amount then must be entered into the PRF under the column "Maximum Cost Limit" to give a clear directive to those who will later be involved in handling of the procurement. Based on this "Maximum Cost Limit" the procuring person must always refer back to the PM in cases where the procurement process indicates a greater amount to be paid than set by the PM. This reference to the PM is indispensable since the PM is the responsible person for the project budget.

It is not only important to check prior each procurement whether enough financial provisions are existing. This must be ensured also later on, when a purchase order is placed, i.e. whether the respective location executing the purchase has enough cash on hand or has made enough provisions in their location cash planning so that they are able to pay invoices due. This

Version: 1.0		<b>15 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

sometimes requires that for one procurement active communication needs to occur between all locations and parties involved. When it comes to the purchase order, it must be ensured that the procuring location has sufficient funds on hand. Therefore it is vital for FIN of the procuring location to coordinate with LOG each time a cash request is prepared, i.e. beginning of each month. The management of the location is responsible to ensure that this flow of information is ensured.

### 3.5 Tendering

In any cases where many donor requirements differ in terms of values and procedures, as a rule, the more strict procurement procedure will apply.

#### 3.5.1 Types of Procurement and Authorisation Procedures

The aggregate value of a procurement measure determines which type of the procurement procedures as described below must be applied:



**SoH Procurement Authorisation Procedures - Flow Chart - Version 2.0**  
(based on approved budgets)

Value	< 1.000,--€	1.001,-- to 15.000,--€	15.001,-- to 50.000,--€	50.001,-- to 221.000,--	> 221.000,--€
<b>PRF signature</b>	Requestor + Budget Holder (if requestor=budget holder: + next level supervisor)				
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Procurement Procedure</b>	No further information required	3 written quotations or other documented cost information	written formal RFQ, min 3 quotations, CBA	similar to 3, but: local/regional/national public tender notice, CBA, TC (min 3 persons)	similar to 3, but: international public tender notice, CBA, TC
<b>Authorisation of Purchase Order</b>	PO authorised by budget holder	PO authorised by budget holder	PO authorised by Head of Department / Director	PO authorised by Technical Line Board Member	PO authorised by Board
<b>Signature Purchase Order</b>	Procurement Location				
<b>Clearing of Invoice by signing</b>	Factual/calculatory correct: Procurer (LOG or Requestor) - Release for Payment: Finance in Procurement Location				

*In any cases where donor requirements differ in terms of values and procedures, as a rule, the more strict procurement procedure will apply .*

#### Procedure 1:

Applies to expenditures that do not exceed € 1,000

In general, strict authorisation procedures for requesting, tendering and ordering goods and services at all levels, taking into account the respective financial value limits from € 1,000,-- upwards. However, also for procurement below 1,000.--€ certain rules must be observed, despite the procedure is simplified:

- Obtain always 3 quotations from different sources if possible.
- Compare also on the basis of total amount quoted, not only for the lowest cost single items, since this might affect the total value of the quotation by the supplier.

Version: 1.0		<b>16 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:



For purchases till 1.000 € the Local Purchase Order (LPO) should be used. The LPO needs to be signed by PC and FIN, and is completed by the official office stamp.

As it holds true for each procurement measure, only previously budgeted and authorized items may be obtained by this procedure.

**Procedure 2:**

Applies to expenditures of €1,001 up to € 15,000

For orders involving expenditures of € 1,001 up to € 15,000 price quotations must be obtained from at least three different suppliers (or more according to Donor requirements). The suppliers must – where possible – be invited by written Request for Quotation (RFQ) which must be simultaneously (at least same day) sent to all recipients earmarking a deadline (at least ten days) for submission of the quotation. The quotations must be documented in written form and in such a manner that the choice of the best offer would be made evident to a third party.

When it has been determined which vendor the contract will be awarded to, a Purchase Order (PO) must be completed by LOG (in HQ the relevant project manager might do it), checked by FIN (budget, liquidity), and signed by the budget holder (PM) (or similar authorisation level). Also here the signatures must be completed by the official office stamp.

**Procedure 3:**

Applies to expenditures of € 15,001 up to € 50,000

For orders involving expenditures of € 15,001 up to € 50,000, at least three preselected or short listed domestic suppliers must be formally requested to submit a tender. The selection of these suppliers is to be based on the prequalification catalogue and a catalogue of specific criteria for the anticipated procurement (company profile, expertise, previous performance, reliability, reputation, financial standing, etc.), which should have been drawn up prior to the actual selection process. The selection of suppliers must be performed by at least two representatives (“4 eyes principle”) of SoH. Also, it must be based on the said catalogue of criteria and be documented in written form to be found in the Procurement File.

The formal invitation to tender by RFQ must be issued in written form. It must contain a detailed list of all relevant information on the order to be placed:

- Specification of item (quality, quantity, concentration, packing, etc., place of origin)
- Point of delivery
- Terms of delivery (INCOTERMS, delivery time and deadlines, etc)
- Terms of payment (credit period, date of payment, etc.).

The quotations must be documented in written form and in such a manner that the choice of the best offer would be made evident to a third party by a written Comparative Bid Analysis (CBA). The CBA must be completed at the procurement location.

The CBA is a tool to objectively compare quotations received and helps to make the later awarded contract decision auditable. The CBA tables all selection criteria as it was mentioned in the RFQ in the first column, and the following columns have the entries from the received bid. Each row/criteria can even receive weighted points to prioritise one or more criteria. The price should only be one of the criteria. Completeness of the offer received is quite important.

Version: 1.0		<b>17 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

At the end, the CBA should validate value for price. The final decision must be written below the CBA with the required signatures.

The CBA must be submitted together with the PO duly completed and sent to the head of department to be signed.

**Procedure 4:**

Applies to expenditures of € 50,001 up to € 221,000

For orders involving expenditures of € 50,001 up to € 221,000, the procedure is similar to procedure 3. However, instead of a RFQ to pre-selected suppliers, a public tender notice must be made at several useful market places, for example in the region or country of the request and in the one of the procuring location. At least two international tenders should be included.

All offers must be received in sealed envelopes. Each envelope received will be registered in a specific ledger with a serial number, date and time of reception. The corresponding number will be marked on the outside of the envelope without opening the same.

No offer/proposal will be opened prior to the pre-determined official opening date or deadline. If received after the deadline the offer/proposal may not be considered. After the tender deadline, the sealed bids are opened in open ceremony. Everybody attending the opening ceremony must sign in on a specific attendance register to confirm having participated in the opening event. At the opening of the envelopes the respective total value of the bid will be entered into the registration ledger to avoid alterations of the value during the evaluation period. Then the bids will be analysed in detail. The results will be entered into the CBA. This CBA will then be subject to a review and decision-making by the Tender Committee (TC) as to who is the winner of the tender. The TC must be composed of at least 3 of the most senior staff members at SoH (like Head of department or Director, Board member and FIN). All bidders who have submitted a bid must be informed about the results of the tender process.

The CBA signed by the members of the TC recommending the award of the contract must be submitted together with the PO duly completed and sent to the HQ where the PO requires the authorisation of Technical Line Board Member at HQ.

**Procedure 5:**

Applies to expenditures exceeding € 221,000

Procurement measures that involve expenditures higher than € 221,000 have to be made public by means of an international public tender notice (e.g. via announcements in the press or the internet). All other procedures must be executed as in procedure 3 and 4.

All purchase orders in this range have to be authorised by the Board of SoH at HQs (in case one board members is not available, a head of department can sign).

**3.5.2 Competitive Bidding**

The policy objective of procurement takes into account the following considerations:

- Fairness, integrity and transparency of the process
- Non-discrimination and equal treatment of vendors
- Award of contracts on the basis of competitive bidding

Version: 1.0		<b>18 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

To support the economies of countries, in which SoH is operating, preference is to be given to procurement of goods manufactured in the area of operation and supplies or services which are locally available and of appropriate quality at competitive prices. However in general, procurement is done on an international level, therefore, solicitation documents are sent to both regional and local suppliers.

Written offers/proposals are compulsory when the value of the contract has an expected value of more than € 1,000 (or equivalent). Exceptions from this bidding rule are allowed only in the following cases:

- Prices or rates are fixed pursuant to national legislation or by regulatory bodies;
- Standardisation of supplies, equipment or spare parts render competition impracticable;
- Exigencies of service and true emergency do not permit the delay expected upon issuance of an RFQ
- The proposed contract relates to procurement from a sole source of supply or services;
- Request for Quotation (RFQ) would not give satisfactory results or would not be deemed in the interest of the organisation.
- Target group specific purchases: this is mainly relating to private donor care (SoH advertising for request for donations like in Facebook, Instagram, etc.) but also to projects for a specific target group with a specific local partner.

These exceptions must be kept to a minimum and the HQ of SoH must approve in writing all exceptions which in turn have to be filed with the procurement file.

### 3.5.3 Business opportunity

The Logistics of SoH maintain the SML as an up to date database of qualified suppliers. A wide base of potential suppliers suitable for a specific contract is invited to bid.

When dealing with suppliers, the following must be observed:

- Provide equal opportunity for suppliers to make price and specification quotations;
- Encourage suppliers to test and develop improved products and services;
- Keep suppliers informed of current and anticipated requirements;

If, for any reason, one supplier is allowed to re-quote, all competitors will be given the same opportunity. However, it is important to note that re-quoting will be absolutely exceptional.

The requester may recommend a source, but the selection of suppliers to be solicited is solely a responsibility of the respective Logistics at authorising level.

### 3.5.4 Code of Conduct

Business will be conducted ethically (see Business Ethics) in a manner above reproach and with total impartiality, and preferential treatment for none. Maintaining the integrity and confidentiality of the procurement process is of paramount importance.

Employees of SoH must beware of what constitutes conflict of interests:

- Staff conduct should not foster any suspicion of conflict between professional duty and personal interest;
- Nobody will solicit or accept, directly or indirectly, any gift, favour, entertainment, loan or anything of monetary value from suppliers or potential suppliers. The only exception

Version: 1.0		<b>19 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

to this rule is inexpensive public relation gifts, valued at less than € 40, such as business diaries, calendars or pens;

- Bids shall not be solicited from, nor contract awarded to, any company that is owned, controlled or actively influenced by any SoH employee or an immediate relative to that employee;
- If a supplier participates in developing or drafting specifications, these must be kept as generic as possible so as to avoid unfair advantage of the supplier who assisted in their preparation.

### 3.5.5 Business Ethics

It is SoH policy to promote fair, ethical and legal trade practices:

- Accord prompt and courteous reception in an atmosphere of good faith and equal treatment, devoid of intentional misrepresentation;
- Treat all information received from suppliers in the strictest confidence. Guarantee the confidentiality of all specifications and price quotations received;
- Decline to take advantage of supplier's errors but show cooperation;
- Avoid causing needless expenses or inconvenience when requesting offers/proposals;
- Remain absolutely free from any obligations to any supplier;
- Make every reasonable effort to negotiate an equitable and mutually agreeable settlement in the case of any type of controversy with a supplier.

If, exceptionally, negotiations are conducted with more than one prospective supplier, such negotiations must refrain from any price auction or technical levelling (bringing proposals up to the level of the best offer/proposal).

SoH complies with the EU DG ECHO's "Mandatory Principles of Humanitarian Procurement"<sup>1</sup>. It also expects its partners and contractors to respect these principles. The principles have to be forwarded to suppliers when asking for a bid as part of the tender documents. Partners or contractors agree to adhere to the principles by signing contracts with the "SoH mandatory principles of humanitarian aid procurement" (MP) attached to the contract as integral part. These mandatory principles of humanitarian aid procurement are:

#### 1. Principle of ethical procurement

- Avoidance of child labour,
- Respect of basic social rights and working conditions based on international labour standards,
- Avoidance of any connection with a party to a conflict, involvement in the supply or transport of illicit arms and land mines and unethical exploitation of natural resources.

#### 2. Principles of equal treatment, non-discrimination and untied aid

- No discrimination or unjustified differentiation between legal or natural persons, regardless of the origin or the nationality.

#### 3. Principles of transparency and right of access

- Right of access: the donor has full access to premises and documents referring to procurement procedures, documents, evaluations, award recommendations and

<sup>1</sup> Annex III: Principles and Procedures applicable to Procurement Contracts – 01/01/2014

Version: 1.0		<b>20 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

contracts (regardless of whether these belong to Sign of Hope or to the partner or contractor),

- SoH is obliged to immediately inform the donor if it becomes aware of any corrupt, fraudulent or coercive practice, the breach of the principles or a situation that is likely to constitute a conflict of interest.

#### 4. Principle of avoiding conflicts of interest

- Measures have to be taken to prevent any conflict of interest (impartial and objective implementation is compromised for reasons involving on economic interest, political or national affinity, or family or emotional ties).

#### 5. Principle of supporting the local economy

- Whenever it is possible local human or material resources have to be used. Before it has to be ensured that this will not distort the local market, increase prices or unduly burden the local natural resources or the environment.

#### 6. Principle of due diligence

- Timely delivery and satisfactory quality of the received supplies, works or services have to be followed up and in case this is not fulfilled appropriate measures have to be taken to mitigate negative consequences for the beneficiaries.

#### 3.5.6 Documentation of Procurement Activities

All procurement activities have to be fully and transparently documented. A completed purchase must be supported by a fully cross-referenced procurement file. Furthermore, all documentation must be completed fully and accurately in every case.

In order to process payment to a supplier for goods, finance requires an original invoice, verified against the Purchase Order or any other documents by the requestor or by Logistics.

For payment against a Service Contract, a copy of the contract is required together with the original invoice approved by the requester, and the evaluation for the last payment.

The Procurement Manager documents any anomalies or deviations from policy or procedures in a purchase with a signed explanatory “note to the file”.

#### 3.5.7 Solicitation Documents

*General:* The specification and invitation documents for goods, works and services should contain all details a potential tender candidate may need:

- Description of the object of the contract in detail,
- Grounds for exclusion,
- Selection criteria (financial and economic standing, technical and professional competence)
- Criteria for awarding the contract (e.g. lowest price or value for money),
- Arrangements for posting or delivering bids (deadline, period of validity of bids, details for submission of bids)
- Penalties.

*Closing date/time:* The response time allowed for offers/proposals is based on the complexity of the goods or services required. Suppliers are generally given 10 days (RFQs) to 2 weeks (tenders) to respond.

Version: 1.0		<b>21 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

*Validity of offers/proposals* must be sufficient for Logistics to

- complete the comparison and evaluation of offers/proposals,
- clarify particular aspects of the proposed contract,
- obtain all necessary approvals,
- award the contract and to receive back the countersigned contract from the supplier

Any specific conditions are to be shown separately under the heading "Special conditions of contract".

### **Goods**

A *warranty* from the supplier for items which by their nature and price should normally be guaranteed against deficiencies;

For the purpose of evaluation and comparison of offers, bidders should be requested to quote on the basis of *identical trade terms*. Bidders are required to state the following:

- EXW unit prices (Ex Works),
- EXW total price, including costs for packing and loading;
- And, as applicable, price increment for delivery according to INCOTERMS.

The cost of the following services, if required, should be quoted separately from the cost of the goods:

- Freight and other expenditures related to inland transportation and delivery by the supplier in the country of destination;
- Installation and commissioning;
- Training;
- Maintenance and repair;
- Detailed operations and maintenance manuals, etc.

If there is an exempt status in the country, no sales tax, customs duties and other import taxes levied in connection with an importation of goods should be included in the offer. The bidder should specify that the prices quoted are free of customs duty and other taxes.

Local purchases are normally be payable in local currency.

### **Services**

All necessary background information;

A detailed description of the services to be provided, including

- an implementation schedule;
- the payment schedule;
- a request for customer references;

Version: 1.0		<b>22 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

### 3.5.8 Evaluation of Offers/Proposals and Award

All information pertaining to offers/proposals must be treated highly confidential. The lowest acceptable offer/proposal for acceptable specifications will be selected. The factors, in addition to price, to be considered are:

- Compliance with technical specifications, relevant international standards and technical norms;
- Compatibility with existing equipment and standardisation plans;
- Compliance with required time schedules;
- Delivery times;
- Payment terms;
- Guarantees, availability of spare parts, after-sales services and training;
- Life-cycle aspects covering maintenance and operating costs;
- Capability, capacity, financial standing, past experience and performance of the supplier and its local representative.

Offers/proposals for complex goods/services will be submitted to the requester inside SoH for technical evaluation in accordance with the award criteria listed in the solicitation documents; however, all pricing information should be removed from the offers/proposals prior to the technical evaluation.

The tender evaluation team / Tender Committee prepares and signs a detailed Comparative Bid Analysis (CBA). If the lowest priced proposal is not recommended, the CBA must give the specific reasons for recommending the selection of a higher proposal. A CBA is usually not required for single purchases of “off-the-shelf” goods.

The following documents form the basis for awarding the contract:

- Requisition;
- RFQ;
- Record of the opening of the offers/proposals;
- Comparative Bid Analysis

If justified by exceptional circumstances, an extension of validity of offers/proposals may be requested in writing from all bidders before the expiration date. When an extension of the validity period is requested, bidders should not be asked or permitted to change the price or other conditions of their offer/proposal.

For audit purposes, all documents must be kept for a period of ten (10) years. Documents should be filed by contract number.

### 3.5.9 Consideration of Value Added Tax (VAT)

For all contracts it is valid to verify the national tax law regarding VAT. VAT (Value Added Tax) is charged over the costs of goods and services and the rate differs per country. Goods and services delivered for humanitarian purpose by international and national NGOs are often subject to tax exemption. If exemption is possible the Ministry of Finance / Custom authorities (or in some occasions the Ministry of Internal Affairs) in the host country are the government institutes to provide SoH with a declaration of tax exemption. A request to receive such an exemption must be submitted in writing and requires normally original documents of the verification documents and the registration in the host-country. Possible procedures by tax exemption:

Version: 1.0		<b>23 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

### **Tax free status as (Inter) national humanitarian & development organization:**

SoH is registered in the host-country as (inter)national humanitarian & development organisation and receives a tax exemption letter when applied for purchased goods and rented services as far as the goods and services qualify to be for only humanitarian activities.

- VAT is paid by procurement of goods and services and SOH is entitled to claim the VAT back afterwards
- By submitting a copy of the tax exemption statement from the Government to the supplier / service provider, the latter will send invoices without VAT

### **Tax exemption for goods and services for humanitarian activities**

SoH is entitled to claim reimbursement of VAT paid and submit a request for restitution to the appropriate Government department.

#### **3.5.10 Framework agreements**

Framework agreements with suppliers may be considered especially for frequently recurring needs of supplies such as consumables, e.g. stationary, fuel, standardized relief goods and project supplies or recurring services such as flight bookings with travel agencies or transportation of goods by forwarding agencies.

Framework agreements shall be considered and planned for relevant periods such as a calendar year or a full project cycle/duration. Based on the planned and expected overall costs for this period, the particular procurement procedure has to be applied for the selection of the competitive supplier. A framework agreement does not replace the process of a concrete procurement except for the need of getting bids and quotations

#### **3.5.11 Derogations**

Derogations of procurement procedures should be kept to a minimum. Approval of derogations must be obtained before selecting the procurement procedure and before starting the procurement. They must be in accordance with donor regulations. The following cases generally allow derogations:

- Prices or rates are fixed pursuant to national legislation or by a regulatory body.
- Standardisation of supplies, equipment or spare parts render competition impracticable.
- The proposed contract relates to procurement from a sole source of supply or services.
- Request for quotation (RFQ) would not give satisfactory results or would not be deemed in the interest of the organisation.
- A monopoly position of suppliers or service providers exists.
- Separate policies prescribe and/or exclude particular procurement channels, inclusive of certified suppliers, such as for drugs and medicines.
- A framework agreement exists.
- Contracting is foreseen by certified Humanitarian Procurement Centres (HPCs).

The derogation from the particular SoH procurement procedure to a lower level requires an official note to the file or the clear indication on the relevant PRF and needs to be approved by the relevant persons for POs/contracts, according to SoH's flow chart signatory power.

### **3.6 Ordering**

Purchase Orders (PO or LPO) should be utilized whenever possible to establish contractual obligations. The basic data in a Purchase Order or Service Contract are:

Version: 1.0		<b>24 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:



- Contract number and date;
- Page number and number of pages (1/3);
- Supplier's address and contact person;
- Supplier reference number;
- Consignee and, if different, delivery address;
- Trade terms (INCOTERMS);
- Mode of shipment and transshipment point (via);
- Delivery date (never "ASAP");
- Cash terms (prompt payment discounts);
- Item number(s);
- Complete description of goods or services;
- Quantity, unit of measure, unit price and total for each item;
- Total order value;
- Buyer;
- Authorized signature.

Purchase Orders and Service Contracts are to be stored in the DMS under the requisition number of the PRF and the data type: "contracts".

A record of these documents should be maintained.

Insurance coverage will be considered at least for high value or otherwise critical contracts.

The Conditions for Purchase Orders or Conditions for Service Contracts respectively will be incorporated in all contracts. Any deviation from these must be approved by the respective supervising level and referenced in the contract.

If advance payment / deposit are requested by the supplier and have been negotiated, it will be specified in the contract.

Change (including cancellation) of an outstanding contract must be made in writing by Logistics and in consultation with the requester and the supplier. If a change is approved, a new contract must be issued with the words "Change Order". A description of the changes should be written into the body of the contract.

### 3.7 Order Control

#### 3.7.1 Expediting / Contract Management

LOG management tracks the execution of Purchase Orders and/or the management of Service Contracts and reviews all active files as frequently as required. It maintains a shipment expected/arrivals record to track orders and shipments and keep the final destination informed of progress. Each stage (ship's arrival, discharge, storage, customs clearance, and loading/transport to final destination) must be monitored. The evaluation and appraisal of supplier performance will be carried out on a continuous basis.

The following procedures must be observed:

Version: 1.0		<b>25 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

- Examine the delivery status of all contracts which have been confirmed with suppliers and which, according to the files, have not yet been received or executed by the stated delivery date;
- For those contracts singled out by this review, check with the requester for eventual receipt. If not received, check whether the goods or the services are still required; if the requester still needs the delayed goods/services, then the supplier is to be contacted for a realistic delivery date and follow up on prompt expedition;

If the supplier states that the goods (and documents) have been shipped or the services delivered, then

- obtain the shipping date and shipping information;
- ask the supplier to investigate and advise current status;
- trace the consignment through receiving agents;
- in case of services, obtain proof of their satisfactory delivery.

### 3.7.2 Receiving, Rejection and Claim

As soon as goods or services are received, they are to be promptly and carefully examined to ensure that they fully conform to the contract. The receipt of incoming goods must be confirmed by the responsible project manager or Logistics at the field office. For flow of information and handling delivery notes refer to chapter 6.2.

For each Purchase Order (local or international) a delivery note is to be completed and the authorised official should sign and date the report, stating whether the goods have been received in full and in good order or otherwise. The original delivery note is the basic document to initiate payment to local suppliers.

In case of any problem detected upon delivery such as loss, damage, wrong quality or quantity, the basic policy is not to accept any non-conforming goods or services and to immediately inform the supplier. In general a Damage and Variance Report (DVR) must be prepared in all cases of discrepancies between purchase order and goods received.

For contracts on basis of other terms provided they are covered by insurance:

- Initiate claims action (carrier, supplier, insurance);
- If a carrier is suspected to be at fault, send a Protest Letter to the last carrier, where a copy will be imperative for a later insurance claim;
- If the expected loss/damage exceeds € 1,000, obtain a “Short landing Certificate” and/or arrange for an independent Survey Report, required for a later insurance claim;

Only in exceptional cases should consideration be given to the following options:

- Allow contract performance after obtaining adequate consideration and approval from the requester;
- Agree to an equitable adjustment and issue a Change Order.

In some cases it sometimes is necessary to return goods. If so, a memo to the Logistics for action should be prepared, identifying each item with reference to the original contract. The Logistics will then directly negotiate the return of the goods with the supplier.

### 3.7.3 Payment

Version: 1.0		<b>26 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

Invoices from suppliers are to be examined, verified and certified by the requestor and/or receiving LOG who have executed the procurement and may have already received goods/services. Such examination will include supplementary documentation covering:

- Unit and total prices;
- Quantities specified in the contract;
- Previous payments;
- Deductions;
- Signed delivery notes or Hand-over Report;
- Other obligation specified in the contract (installation, training, etc.);

Examination and verification of invoices will be performed by LOG/Requestor speedily in order to assure timely payment within the period agreed. Any deficiencies or discrepancies will be referred to the supplier. If down payments or instalments were agreed upon in the contract, progress must be certified by the requester of the goods or services.

In case in your location Document-Management-System is not working: The requestor or LOG on behalf of the requestor is transferring coding information from the PRF to the coding stamp on the invoice, then signing the invoice on the left hand side of the coding stamp to confirm that PRF and PO are properly done and signed, invoice received is according to PRF and PO, and may be even that goods or services have already been received; FIN then in turn confirms this by checking the documents and then signing on right hand side of the stamp to release the payment according to the invoice, followed by executing the payment. Only the amount stated on this certificate, exclusive of discounts, will be paid. Cash discounts taken or lost will be reported accordingly. Lost discounts should be justified in writing and the note added to the file.

### 3.8 Contracting for Services

For services Terms of Reference (ToR) as an attachment of a PRF are prepared by the requestor and should clearly state the nature, timeline, and measures of performance required of the contractor. ToR may include standards for accomplishing work. An estimate of the costs for the services to be acquired should be prepared by the requestor. Sources for the estimate include amount paid for previous contracts under competitive conditions, and market surveys. A realistic, reasonable estimate provides a baseline to permit analysis of proposed prices and determination of appropriateness.

The SoH employee entrusted to contract a Consultant should maintain records of solicitation documents, all original proposals, selection documents, evaluation reports, an original copy of the contract and proof of financial clearance and availability of funds to enter into the contract.

The contract should be signed according to the value limits from the authorisation procedure. Copies of the contract should be provided to the requester and to Finance.

Modifications to Service Contracts should arise only when unexpected or emergency situations occur. This is one reason for well-defined and clearly written TOR. Funds must be certified as being available prior to modifying a contract that increases its amount.

Active contract management ensures contractor performance is monitored and any shortcomings promptly brought to the attention of the contractor for correction and adherence to the contract ToR. Active oversight also ensures timely processing of contractor invoices. Payment is made upon completion and acceptance of work. The contractor submits invoice, and payment is made in accordance with financial regulations of SoH.

Version: 1.0		<b>27 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

### 3.9 Control of Delivery

If the goods obtained on the domestic market are intended for further use elsewhere/abroad, the Logistics is responsible for:

- Preparing the respective goods for transportation
- Handling the customs formalities, if border-crossing
- Shipping the goods
- Recording the proofs of purchase, receipt, and utilization of the shipped goods, since evidence of this kind is required for rebates on value-added tax.

It is the responsibility of the ultimate recipient to prove in an appropriate manner that the procured goods have arrived at their (foreign) destination and that they will be permanently used there. As a rule, the following documents are accepted as appropriate evidence thereof:

- the stamped export license plus original invoice and/or a copy thereof
- or, as an alternative, the confirmation issued by an official authority abroad (e.g. embassy or other diplomatic representation, bishop, senior representative of an hospital, etc.).
- duly completed delivery note

Since these proofs of purchase, receipt, and utilization of obtained goods are required for rebates on value-added tax, they must be forwarded immediately to the place of dispatch.

## 4 Humanitarian Aid procurement of food, medicines and medical supplies

### 4.1 Scope and Definitions

- "Medical Supplies" shall include all medicines and other medical products, in particular those included on the national essential medical supplies list, national essential medicines list and on the World Health Organisation's (hereinafter referred to as the 'WHO') list of essential medicines, proprietary medicines or generics, medical devices and therapeutic food to address acute malnutrition. They shall not include veterinary products. The WHO Model List of Essential Medicines, which serves as a guide for the development of national and institutional essential medicine lists is updated and revised every two years by the WHO Expert Committee on Selection and Use of Medicines ([http://www.who.int/selection\\_medicines/list/en/](http://www.who.int/selection_medicines/list/en/)).
- "Food Supplies" shall include bulk consumable commodities, such as mixed foods, ready-to-use foods, fortified foods with added vitamins and minerals, and supplementary foods to address moderate malnutrition. They shall not include seeds for agricultural purposes.
- "Pre-Certified Supplier" and "Pre-Certification" refer to approved suppliers of medical supplies. A supplier is pre-certified where it has demonstrated, either to SoH or to another entity, that its premises and facilities meet internationally recognised standards, for example by complying with the Guidelines on Good Distribution Practice of Medical Products for Human Use, that it is technically capable of ensuring the quality of the active ingredients and that its products come from an approved supplier.
- "Pre-qualified Supplies" and "Pre-Qualification" refer to medical supplies. A medical supply is pre-qualified when it appears on the WHO's list of pre-qualified products, or when it has been approved by an entity described in **Article 4(2)(d)** herein, in keeping with the WHO's recommended norms.

Version: 1.0		<b>28 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

b) The provisions of Articles 4.2 and 4.6 herein shall be applicable in the procurement of food and medical supplies and shall have as their principal objective to ensure the quality of the products purchased. In order to achieve the quality required, these provisions are based on a series of internationally recognised standards, which are, however, not exhaustive and may be updated. SoH may also take as a quality reference any other equivalently recognised standards.

#### **4.2 Medical Supplies**

a) Irrespective of the value of the contract to be awarded, medical supplies shall be procured either through an HPC, or by launching a procurement procedure with pre-certified candidates meeting the standards explained herein. Whenever feasible, the number of candidates invited shall be sufficient to ensure genuine competition.

b) When assessing offers submitted by pre-certified candidates, prices will be compared and international medicines price databases consulted, such as the International Drug Prices Indicator, the Global Fund Price and Quality Reporting tool (PQR), the Price Information Exchange website (PIEMEDS), the global price reporting mechanism provided by the WHO AIDS Medicines and Diagnostics Service (AMDS) or MSF Untangling the Web of Antiretroviral Price Reductions.

c) When comparing the costs of pharmaceutical products, the cost of the whole treatment per patient shall be taken into consideration, thus not only the cost per unit.

d) When medical supplies are to be procured ourselves, we send the invitation to negotiate to pre-certified candidates which have demonstrated that their premises and facilities meet internationally recognised standards, e.g. as described in the Guidelines on Good Distribution Practice of Medical Products for Human Use, that they are technically capable of ensuring the quality of active ingredients and that their products come from approved suppliers. The invitation to negotiate shall at least include the following selection criteria to be used by the Humanitarian Organisation when assessing the candidate(s):

- respect of the WHO's principles of Good Manufacturing Practice (hereinafter referred to as the 'GMP'); where relevant, Good Storage Practices (hereinafter referred to as the 'GSP'); Good Laboratory Practice (hereinafter referred to as the 'GLP'); Good Clinical Practice (hereinafter referred to as the 'GCP'), the WHO's model quality assurance standards MQAS, as well as the WHO's or the Union's Good Distribution Practices (hereinafter referred to as the 'GDP');
- on-going monitoring of the production and quality control activities of both their supplies and suppliers, pursuant to the WHO publications referred to in this Article and an adequate quality control testing programme, including protocols and standard operating procedures, and based on a demonstrated risk analysis policy;
- monitoring of customers' complaints and remedial follow-up, including recall procedures; and
- any other recognition, which according to a recognised accreditation body, ensures compliance at least with one of the following standards or equivalent standards: United States QS (21 CFR part 820)<sup>15</sup> on quality system regulation; ISO9001/200816 on quality management system; ISO9002/1994 on quality assurance in production, installation and servicing.

Version: 1.0		<b>29 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

e) We have to ensure that medical supplies meet internationally recognised product standards. The procurement notice sent with the invitation to negotiate shall at least include the following award criteria to be used when assessing the offer(s):

- Respect of the minimum quality standards, such as the WHO's principles of GMP, GSP, GDP and GLP
- respect of the national drug regulations in the country of destination; and
- respect of any intellectual property rights and patent regulation applicable in the country of operation.

f) Where the medical product already enjoys pre-qualification, or the supplier already benefits from pre-certification from an internationally recognised or reputable certification body that meets WHO recommended norms and standards for carrying out quality assessment, pre-qualification or pre-certification, it shall be sufficient to record documentation on the procurement file. Acceptable proof of quality in this respect may be issued either by the WHO, a Stringent Regulatory Authority, or an HPC. If none of the previous proofs of quality are available in the country of operation, the proof of quality may be issued, after consultation of the donor, by a National Drug Regulatory Authority, or an internationally recognised independent certification authority.

### 4.3 Medical Devices

a) "Medical device" refers to an instrument, apparatus, implement, machine contrivance, implant, in vitro reagent, or a component that provides a diagnosis, cure, mitigation, treatment, or prevention of a disease or condition, which does not achieve its intended use by being metabolized or through a chemical reaction. The Global Medical Device Nomenclature (GMDN) system designates 12 categories of medical devices, consisting of more than 10 000 generic groups. Medical devices include any instrument, apparatus, implement, machine, appliance, implant, in vitro reagent or calibrator, software, material or other similar or related article:

- intended by the manufacturer to be used, alone or in combination, for human beings; and
- which does not achieve its primary intended action in or on the human body by pharmacological, immunological or metabolic means, but which may be assisted in its intended function by such means, as defined by the Global Harmonization Task Force (hereinafter referred to as the 'GHTF').

b) The provisions of Article 4.2 herein shall mutatis mutandis apply to the procurement of medical devices. The invitation to negotiate shall at least include the following contract specifications, to be used in the award criteria when assessing the offer(s):

- compliance with essential requirements as described by the GHTF20;
- production in conformity with ISO standards and/or other equivalent standards as recognised by the GHTF;
- recognition by at least one of the regulatory authorities or an equivalent entity: MPALS License (Australia), Device License (Canada), CE Mark (EU), Device License (Japan), and 510 k Device Letter (USA); and
- priority shall be given to candidates that have been accredited by a recognised accreditation entity, thus providing proof of compliance with at least one of the following standards or equivalent: Japan QS Standard for medical devices 1128, ISO 1348521 on quality management system of an organization, and ISO9002/1994 on quality assurance in production, installation and servicing.

Version: 1.0		<b>30 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

#### 4.4 Veterinary medicines

The procurement of veterinary medicines, while not subject to the above-mentioned quality requirements, shall nonetheless be procured with due respect of the applicable best veterinary practices in the field and, where possible, in consultation with an appropriately qualified animal health expert.

#### 4.5 Destruction of Medical Supplies, Medical Devices and Veterinary Medicines

When procuring medical supplies, medical devices, or veterinary medicines, SoH will ensure that adequate provisions are in place to ensure respect of internationally recognised best practices in the destruction of any contract-related supplies that are recalled or expired.

#### 4.6 Food supplies and transfers

a) When procuring food supplies, SoH will ensure that:

- comply with any quality standards laid down in the domestic legislation of the country of origin and/or the country of destination, whichever has the higher quality standard; and
- as much as possible, match the nutritional habits of the beneficiary population.

The costs of food supplies rejected due to failure to comply with the above-mentioned obligations shall not be eligible. Whenever possible and advisable, having due regard to the context in which the Action is implemented, and provided it does not substantially disturb the local beneficiary markets, priority shall be given to purchases in the country of operation or in neighbouring countries. Market analysis shall be conducted that local/regional procurement would not induce market distortions which could adversely affect vulnerable populations.

d) SoH is responsible for ensuring the quantity and quality of the supplies, including their packaging and marking:

- when awarding urgent contracts or contracts with a value not exceeding EUR 300 000, SoH may itself certify the quantity and quality of the supplies, by means of a suitably qualified member of staff;
- when awarding contracts of a value exceeding EUR 300 000, SoH will engage an independent recognised verification or inspection entity, namely a Monitoring Agency, which shall assume responsibility for verifying and certifying the quantity and quality of the supplies. Where a Monitoring Agency is used, SoH will include in the contractual documents the necessary provisions.

c) By derogation herein, when the object of the contract is the supply of fresh food, and, when the contract is divided into several lots taking into account the seasonal availability of products, each lot shall be considered individually in order to establish the applicable threshold.

d) Where applicable, the procurement notice shall specify the contractual Incoterms delivery conditions applied to the supply contract, and shall identify the applicable Incoterm edition. When the Incoterms specified in the procurement notice oblige the supplier to take out a transport insurance policy, this insurance shall cover at least the awarded tender amount and all risks associated with carriage.

Version: 1.0		<b>31 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

e) Contracts concluded by SoH shall include provisions on the accepted tolerance for weight and/or quantities delivered and they shall identify the procedure for establishing reductions of price for quality deviations and deliveries beyond the contracted delivery date or period.

## 5 Transport Management

In general when we talk about transport management we have to distinguish between transport undertaken by SoH and transport contracted out. Normally for transporting goods in the supply chain of our operations, transport is contracted out. The biggest importance when it comes to own transport is going to the vehicle fleet management, therefore an individual chapter is particularly dealing with this subject. When it comes to determine contracting out transport it will be a calculation to optimise cost and time involved. Both are a function of the factors routing, means of transport, formalities, and security.

### 5.1 Routing

When organising transport routing is important since it has a direct influence on transport period and costs involved. The question is whether it is possible to take the most direct routing or whether alternative routes are may be faster, safer or more cost effective, due to factors such as improved roads or less disturbances etc.

### 5.2 Means of Transport

Also the choice for means of transport has a direct impact on time and costs. Whether air transport is chosen or sea transport it might have quite opposing consequences. Whereas the first way of transport is normally fast, but expensive, the latter one is slow, but cheaper. Therefore, in general air cargo is sent in case of small light units, sea cargo when it comes to bulky and / or heavy load. Road conditions play a role when deciding whether to go for Pick-ups, light trucks or heavy trailers. Sometimes it even makes sense to use locally common means of transport like donkeys, camels, or similar.

### 5.3 Formalities/Documentation

Before starting any transport it is very important to have clarified all formalities required for the transport and to prepare all necessary documents in time. This is of particular importance in cross border transport, but also in case of domestic transport.

In the latter case it must be checked about road licences, road levies or taxes, dangerous good declarations etc. required. In case of SoH organising domestic transport, the minimum requirement in documentation is the following:

- SoH Packing List
- SoH Way Bill
- SoH Delivery Note

The packing list is listing in detail what exactly is in the respective transport unit and how the packaging is. The way bill gives all details necessary to transport the goods from one place to the other and is sort of a transport contract. The delivery note is an essential document which is a sort of a hand-over protocol for the goods transported and delivered to the place of

Version: 1.0		<b>32 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:



destination. The delivery note closely relates and refers to both the PRF and the LPO. Therefore the PRF code has to be written on the delivery note.

In case of export more documents are needed:

- Proforma Invoice
- Donation Certificate
- Export Declaration
- Pre-shipment Certificate
- Packing List
- Way Bill
- Delivery Note

The SoH Proforma Invoice declares the formal value of the shipment which could even be zero.

The SoH Donation Certificate acts as a written confirmation that the goods in transfer are donated and will not be used for commercial use. The export declaration documents that the goods have left a country, which is often required to get back national taxes or duties in the exporting country. The pre-shipment certificate is needed in certain countries, particularly Eastern Africa, to show that goods are in good order before transport and harmless to be transported to the country of destination. Companies like SGS or others are providing such a document which is often not only important for external, but also for internal use if we want to ensure for example to a donor or for insurance purposes that goods have started the transport in the required quantity and quality.

Important is to have the documents ready before any transport is starting, since it normally means to send documents also to the recipient and others. Therefore, as a rule **3 sets of documents** must always be prepared. One set consists of one original plus three copies each. The sets are foreseen for the following recipients:

- 1 set will remain at point of shipment
- 1 set will be accompanying the shipment
- 1 set will be sent parallel to recipient according to PO

#### 5.4 Tracking

During transport it is necessary to keep track of shipments. The sender has an interest to know exactly the whereabouts of the shipment since s/he is responsible for it until it has been received by the recipient. In the stations in-between it might be needed to know details for overnight storage or other arrangements. Last but not least the recipient must know as early as possible when s/he can expect the shipment to arrive at the location hence s/he needs to prepare all formalities in time.

If possible, transmission of information has always to be in written form. The following should be the information channel to be ensured:

Version: 1.0		<b>33 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

**1. Information on departure:**

- Date
- Time
- What is leaving
- With whom, how
- Next destination
- Final destination
- Expected time of arrival (ETA)  
TO ALL STATIONS HANDLING THE SHIPEMENT UNTIL FINAL DESTINATION

**2. At each way station**

- Date and time of arrival
- Observations
- ETA next station  
TO NEXT AND FINAL DESTINATION; AS WELL AS EXPEDITING STATION  
(LOCATION OF ORIGIN)

**3. Upon arrival in final destination**

- Date and time of arrival
- Observations  
SENDING BACK COPY OF SOH DELIVERY NOTE TO EXPEDITING LOCATION  
DULY SIGNED AND FILLED OUT

The handling of Delivery Notes should be as follows:

1. No new set of documents is needed if a shipment is in one way station only in transit.
2. A new set of documents must be issued when
  - Means of transport is changed
  - Packing is changed
  - Load is split
3. Sending back of delivery note to last issuing station ASAP
4. Filing of the delivery note must be done in respective procurement file

**5.5 Transport Insurance**

For each transport it must be checked whether it is possible and/or necessary to insure the shipment during transport and way storage. In general, since goods are almost always purchased with donor funding, SoH holds ultimate accountability to the donor for the goods even during transport. Checking insurance situation thus acts as a mean to prove SoH's diligence in fulfilling our obligations to the donor. However, it is not always possible to insure shipments, e.g. in war situations. Also the value of the shipment plays a role, as well as the ratio between value and respective costs for insurance. Sometimes it might be cheaper to buy

Version: 1.0		<b>34 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

the goods at new in case of loss or damage than to insure them. The management target must be the minimisation of damage and loss.

## 5.6 Safety and Security

Security plays a major role since it can influence the routing, the means of transport, transport time, and transport costs. Therefore, before each transport begins, the general and actual security situation must be carefully considered to come to a conclusion whether, when, how to transport. Packing of the vehicle must follow all rules of “safety first”.

## 5.7 Transport of Passengers

Here it is important to distinguish between non-SoH passengers from SoH employees to be transported by the organisation.

### **Non-SoH-International Pax**

Non-SoH-International passengers must always sign a waiver, the “Non-Liability Claim Declaration” (NLCD) before being transported by the organisation to avoid claims, financial damage and trouble against SoH. As a rule transport by SoH for Non-SoH-International passengers can only be provided in the following:

- Project staff (working with the project, but not under SoH contract)
- Official project visitors
- Implementing partners
- Seriously sick/injured persons

### **SoH Pax**

When SoH staff (under employment contract from SoH) must leave the duty station, each staff member needing transport must submit an official request for transport. This is normally done by filling out and submitting a Duty Trip Permission (DTP). The DTP must be signed by the PM, co-signed by finance (to ensure observing financial implications) and copied to Logistics. The original DTP remains with the traveller until s/he is settling the final invoice for the duty mission.

All transport requests must be entered into the location’s Movement Planning Chart (MPC).

HQ staff is using the software of HRworks.

## 5.8 Vehicle Fleet Management

Vehicle Fleet Management deals with all kinds of mechanic vehicles like trucks, cars, motorbikes. In view of mechanical similarities generators are also included in this chapter.

### 5.8.1 Procurement of Vehicles

For the procurement of vehicles LOG at HQ is responsible for maintaining the Standard Vehicle List (SVL) for cars and related equipment to enable planners to

- Best choose the respective vehicle needed in a known specific situation,
- Ensure a certain standard and coherence with SoH corporate identity for all locations,

Version: 1.0		<b>35 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

- Have related spare parts catalogued in the SML for reference while ordering and to get better prices through bulk purchases.

When opting for one vehicle the requester must take into account the specific need from the location and the respective offer from the standard list. Following considerations must be made for vehicles:

- Field/urban conditions
- Long / short tracks
- Transport of goods / passengers
- Specific needs of donors
- Kind of tyres
- Diesel / fuel
- Left hand / right hand
- Quality of shock absorbers
- Tank capacity
- Climate conditions

When it comes to equipment, the need for following items must be checked:

- Sand plates
- Winch
- Radio HF / VHF / UHF
- Jack, Tanganyika jack
- Tool box
- Number of spare tyres
- First aid kit (normally standard market version)
- Roof rack
- Towing rope
- Mine protection (and/or another security needs)
- Shovel, axes, pangas
- Spare oil, spare braking fluid
- Jerry can for water
- Fire extinguisher
- Torch
- Warning triangle
- Bull bars
- Clock
- Spot lights
- Funnel and filter

### 5.8.2 Integration in fleet / Start of use

When a new vehicle is received at the location it must be ensured that the vehicle is immediately marked with the SoH logo and vehicle number as well as with the “No Weapons

Version: 1.0		<b>36 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

On Board” sticker (NOW). At the same time the vehicle must be registered through opening a Vehicle Life File (VLF). This VLF must provide the following information:

- Chassis number
- Engine number
- Source of the car (including supporting documents like purchase contracts etc)
- Registration number
- Model
- SoH number (decided by RD at HQ)
- Insurance certificate
- Road licence
- Pre-shipment inspection certificate (if needed)
- Logbook number

At the same time, some of this information must be entered into the inventory list under the category VEH. All subsequent documents (copies of logbooks, Vehicle Monthly Report, repair docs etc) in relation to this specific vehicle must be filed into the respective VLF. This file must be maintained beyond the life time of the vehicle for a minimum of 10 years for later checks, audits etc. LOG is in this case responsible for the correct filing and archiving of all information relating to the vehicle.

Furthermore, the car must be registered with traffic police or any other authority in the vicinity responsible for vehicle use and traffic. As a rule, all vehicles require a number plate valid for the respective country and, if need be, for cross border operation. Road taxes have to be paid and road licences obtained, as well as the official “logbook” or any other document which is the governmental registration form for a vehicle.

For all vehicles it must be checked which kind of insurance is needed, advisable and affordable. This refers to Third-Party-Insurance, generally a must, but also to comprehensive and semi-comprehensive insurance. It must be ensured that the package is covering the whole country, and in case of cross border traffic, also for neighbouring country. Opportunities and need for accident and comprehensive insurance must also be reviewed. Usually this should be performed from the very beginning of the opening of a new location and must be regularly updated.

The following documents must always be with the vehicle, either in form of the original or as a copy (depending on local opportunities/needs):

- SoH Vehicle Logbook always in original
- (Copy of) official logbook/official registration document
- (copy of) insurance certificate
- (copy of) radio licence (if any)
- Stickers (insurance, road licence etc)
- Empty forms of non-liability waivers (originals)

Version: 1.0		<b>37 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

Basic Rules for Vehicle Use:

- Maximum weight limits must be observed.
- Valid driving licence is compulsory for driving any vehicle.
- In the field, authorised (local) drivers must be used.
- Outside urban centres it is not allowed to drive during darkness.
- No weapons of any kind are accepted in the vehicle.
- Speed limits must always be observed. For SoH, the maximum speed limit on dirt road is 60 km/hrs, and 80 km/hrs on tarmac road. Speed must always be adjusted to road, weather and environmental conditions and circumstances.
- Driving is prohibited under the influence of alcohol.
- The use of safety belts is obligatory.
- The private use of vehicles must be regulated per location by the respective location responsible requiring approval by HQ. The regulation must be filed in the location's Master File.

### 5.8.3 Vehicle Fleet Reporting

Each vehicle including rented ones requires a logbook for the documentation of all movements and inputs such as fuel, maintenance and repair. The current one must always be in the vehicle, and previous ones must be filed in the VLF. The logbook must be updated at least on a daily basis.

To get a clear idea of the costs per vehicle, the Vehicle Monthly Report (VMR) must be prepared regularly as part of the location's monthly reporting. The original of the VMR must be filed in the VLF; a copy of these VMRs must be attached to each monthly report from the projects/locations. For better control of fuel consumption of each vehicle, the vehicle must be filled up to 100 % on a regular basis, at least once a month (preferably at the last working day of a month).

On a higher level (Regional Level, HQ Level) these VMRs will be used to compile an overall report on the vehicle fleet situation, costs involved, average and range of fuel consumption, maintenance and repair costs etc. This report is the Vehicle Overall Report (VOR). The resulting data can be utilised for later planning of costs or budget purposes. A copy of the VOR is available to all locations and the HQ.

### 5.8.4 Incident Reporting

Incidents in the sense of a vehicle fleet are accidents and thefts. Everybody using a vehicle must be acquainted with the requirements if and when such an incident occurs. As basic rules, the following must be ensured:

*In case of accidents*

Before using a vehicle the location regulation should clearly indicate behaviour after an accident (to be documented in Master File of the location). Personal security issues after an accident must be defined there. Sometimes it is needed to stay at the site of accident, sometimes it is needed to leave the site immediately and to look for the nearest police station.

Version: 1.0		<b>38 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

- Call police on the spot, particularly if unjustified liability might be claimed to SoH
- Inform the base/location at the earliest via appropriate means (radio, mobile)
- Assist injured people if your own personal security is not at stake
- If possible make photos
- Get police report/statement if obtainable
- Inform management through written report: where, when, who involved, description of incident, effects, measures taken, request for further instructions
- Fill out insurance report form for the vehicle insurance, and in case of injuries for the health insurance

*In case of theft*

- Report to police
- Obtain police report (if possible)
- Report immediately to HQ and to the insurance using required forms

**5.8.5 Maintenance and Repair**

In order to optimise the life time of vehicles a regular maintenance scheme must be observed. Every day, the daily check must be performed by a responsible person tasked by the location responsible. The minimum requirement for vehicle service is every 5000 kilometres, but depending on road conditions a more frequent schedule should be selected and defined in the local location regulation.

Repair of vehicles must be done by the best available repair service. For the life time of the vehicle and to avoid problems with the vehicle only genuine spare parts may be used when repairing a vehicle. After each service and repair the individual responsible for the vehicles must check whether genuine or fake products were used.

Service for generators is compulsory on a regular basis. The frequency is based on usage hours must be determined by the location according to local conditions.

**5.8.6 Disposal of Vehicles**

If and when vehicles are disposed the donor conditions as well as local laws and regulations have to be observed. The end of vehicle's life can be assessed by reported repair and consumption costs (VMR) and age (inventory). In most cases this also requires donor approval.

*In case of selling:*

- Announce sales conditions
- Determine bidding procedure
- Use formal sales contract (MSS) to ensure proper transfer of ownership
- Accept only full payment

*In case of donation:*

- Ensure proper hand-over certificate (HOC)

Version: 1.0		<b>39 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

In all cases of disposal it is important to ensure that date and kind of disposal is marked in the fixed asset list / inventory.

All documents related to the disposal have to be filed in the VLF. The VLF must be closed by a formal vehicle disposal note (separation note) indicating date, how it was disposed, reference that inventory list was updated, and signed by two individuals (PM plus responsible for fleet).

## 6 Storage and Stock Management

The phase of stock management and storage refers to the period when goods are received, put on stock and then being dispatched either to other locations or for use in the own location. Throughout the entire process, proper handling, accounting and reporting is required. Particularly sensitive commodities like food or drugs require special attention and careful management.

### 6.1 Storage Criteria

The storage criteria for a location are determined by location requirements, storage duration, way of storage and supply condition.

#### *Location/Space*

Before determining the location of a store the requirements from the goods to be stored as well as the requirements from the operation must be analysed. In addition, determining where to store what inside the store is a critical question for store management. For example, storing food alongside soap products might have a negative impact on the food items. The internal climate of the store may also indicate where to store which item.

#### *Storage Duration*

The duration of time that goods will remain on stock is an important aspect to be kept under control from the reception until dispatch of goods stored. Best is to follow the “First-in/First-out” principle, meaning that always the lots of an item with the longest stay in the store will be dispatched before all other lots of the same item.

#### *Way/Mean of storage*

The packing of goods plays an important role in the storage requirements. The kind of packing can influence the duration of storage period, or the requirements of where and how to store the goods. The kind of goods to be stored determines the type of store, like rub halls, concrete buildings, tents, tanks, cold stores etc.

#### *Supply Conditions*

The supply conditions are defined by the point from where the goods to be ordered are being provided from, how long it will take until they are on stock again since the moment of ordering etc. This has a direct impact on the point of time for ordering, remaining stock balance, daily consumption of the item, and time requirements for supplying. In case of lengthy supply times

Version: 1.0		<b>40 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:



it might be necessary to increase storage space for those goods, whereas goods with shorter supply chain can be reduced in stock.

## 6.2 Reception of goods

The reception of goods actually begins even before the goods arrive to their indicated location. The spot where the goods will be received as well as the store where they will be stored need to be prepared well in advance for the new shipment. The spot must be clean, contain enough space for ease of unloading and movement of goods into the store. The store must be clean; pallets and shelves must provide enough space for storage. In case of cold chain fridges have to be checked whether functioning properly. The required labour force to facilitate the unloading must be reviewed and if necessary casual labour must be recruited for the additional workload of unloading and storing. All required documents like packing list and way bill must be prepared and on hand before the goods arrive. Furthermore, it must be checked which local official procedures must be followed for clearance of shipments.

Upon arrival of goods quantity and quality control is indispensable to check and verify whether the goods have arrived according to the shipment documents and in good order. The quantity must be controlled by counting and measuring. The first quality check is to perform a visual inspection of the packing, as it should not be opened/open or damaged or show signs of potential damage like wet spots, fungi etc. If possible, samples should be taken randomly for check. In case of cold chain normally indicators are included in the packing which must be checked whether they show any sign of deviation from the prescribed temperature during transport. In case of medical drugs all items must be checked to verify the expiry date, sometimes it might be sufficient to make random checks.

If the reception control shows any discrepancies between what was expected, what is written in the documents and what has actually been delivered, these discrepancies must be noted in written form and reported via the delivery note. It is important that the detected discrepancies are noted on the delivery note and the Way Bill first, before both documents are to be signed by the recipient. If the detected discrepancies are clearly obvious upon delivery, then reception is to be refused and the goods are to be sent back to sender.

In case of major damage, as soon as possible the Damage and Variance Report (DVR) must be immediately prepared and sent to the procurement location. This DVR requires careful attention to the following items:

- Delivery note number
- Date
- Way Bill Number
- Variance in quantity according to packing list
- Description of damage
- Recommendation for action
- Signature of recipient and witness (preferably supervisor of recipient)

If possible photos should be taken to substantiate the DVR. Furthermore, other evidence should also accompany the DVR such as samples.

Version: 1.0		<b>41 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

### 6.3 Stock Control / Stock Counts / Floating Assets Accounting

When the goods are put on stock they must be properly registered, reported, and controlled during their stay in the store.

Firstly, the goods must be entered into the SoH Stock Card (SSC). Stock cards must be opened for each lot of goods coming into stock. They can be sorted by chapters (article numbers) and subchapters. The SSC must be registered into the Stock Ledger for filing. Bin cards at the shelves contain the same information as the SSC but are located closely to the item and therefore facilitate physical control. Bin cards can even be used to improve the organisation of quantity per item by donor by using coloured bin cards each with a different colour representing different donors.

Once a month, the Monthly Stock Report (MSR) must be prepared. The MSR will report on the following details

- Delivery note number
- Item
- SML Number
- Project Coding
- Stock at the beginning of month in units and in value
- Quantity received per item in units and value that month
- Quantity dispatched per item in units and value that month
- Balance at the end of the month in units and value
- Stock count
- Remarks

The store must be regularly checked for

- Temperature,
- Cleanliness,
- Pest/rodent control,
- Ventilation.

At least once a month a regular stock count must occur. The stock count must be documented in writing, compared with the bin card and with the registry. The result must also be noted in the monthly stock report.

Stock management has an important interface to financial accounting and reporting through appropriate stock accounting. The stock reports must give at all times information about:

- Total value on stock,
- Value per item
- Value per donor

### 6.4 Security

Version: 1.0		<b>42 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

Security is an important aspect of stock management since the stored commodities are always a potential target for criminal energy due to the high value sometimes being stored in one particular location. As SoH is always responsible for the goods under the organisation's management the security situation and its potential development in the vicinity where a store is located or is planned to be located must be carefully checked and evaluated. The risks must be analysed and respective measures must be included in the planning of premises. Loss and damage of goods stored must be avoided at all costs. The surroundings must be security proofed, the walls of the store must be resistant to the efforts of intruders, may be special guards must be recruited, security lights might be needed to be installed.

Security does not only refer to human manipulation, but also to natural security risks such as fire, rain/water, lightning etc. Also these hazards must be taken into consideration when planning for the security of a store.

### 6.5 Insurance

As security measures must protect the organisation from losses and damage, opportunities and needs for insuring the stored goods must also be analysed. Despite all preventive measures, fire can occur, floods can arise unexpectedly, and thunderstorms can strike the store etc. any time. Also in this case, the value of the goods, risks and costs for insurance must be counterbalanced.

### 6.6 Release of Goods

Under similar control methods the goods enter the store the same control is required for the release of goods from the store. The store keeper / stock manager is personally accountable and responsible for the proper justification, authorisation and registration of the release of items.

The key document for this controlled release of items from the store is the Store Issue Voucher (SIV). The SIV directly results from a PRF where the location Logistics on site discovered that items included in the PRF do not need to be purchased as they can be procured directly from the stock. Therefore, the SIV is to be prepared and signed by the individual who filled it in. Since the release of goods requires authorisation, the SIV needs to be signed by the PM in order to approve the SIV. With the signed SIV the respective items are released from stock and the SIV is signed by the individual responsible for issuing the items from the store. In turn the individual receiving the goods from the store must sign the SIV to document the proper reception. Any discrepancy during this process must be noted and signed at the SIV. A copy of the SIV must be recorded into the stock ledger attached to the stock card and must be taken into account in the monthly stock report.

## 7 Discarding

The end of life of an asset under SoH's control is defined as either regular or irregular circumstances. Regular circumstances are:

- Disposing
- Selling

Version: 1.0		<b>43 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

- Donating

Irregular circumstances are loss by

- Accident
- Theft
- Disaster

### 7.1 Disposal

When it comes under regular circumstances to the end of life of an asset under SoH's control the important factor to ensure is that separation is occurring in a controlled way, and not by coincidence. If an asset is out of order, and repair proves to be too expensive or is no longer possible, then the asset must be disposed of. In this case all laws and local regulations must be observed. And the method of disposal must also ensure that no harm is contributed to the environment.

When the method of disposal is clarified and disposal is executed, a separation note (SSN) must be filled out and the original sent to FIN if the asset was an active fixed asset for deactivation. If not, the SSN is the last document to be filed in the SLF of the asset and the SLF is to be closed, the inventory list to be updated.

### 7.2 Sale

In the case of sale of an asset local laws and regulations apply as well as rules from fixed asset accounting of the organisation. In general, as previously described earlier for the sale of vehicles, in many cases this also requires donor approval. The sale must always be conducted by public procedure:

- Announce sales conditions
- Determine bidding procedure
- Use formal SoH Standard Sales Contract (SSS) to ensure proper transfer of ownership
- Accept only full payment

### 7.3 Repatriation / Reallocation / Transfer

In some cases it might be opportune to repatriate assets and equipment after they have been used in the field where they are no longer needed. Repatriation is defined as the transport of assets back to HQ of SoH or a regional stock point. Reallocation or Transfer is defined as the transfer of an asset to another project or location, yet in principle the asset remains the same and the intended future use of the item must be stated clearly beginning from clarifying who is the owner and whether he accepts the transfer.

Changing the location out of the country of use requires early clarification of documentation needed. All paper work and proper documentation must be prepared before exporting the equipment to a new country. It also requires that all papers be filed together in preparation for the transfer. In some cases local law requires that assets imported into a country tax exempted under humanitarian assistance regulations are immediately becoming the property of the

Version: 1.0		<b>44 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature:

government, and therefore must remain in the country through being handed over to the government.

In all cases the transfer must be documented with a delivery note. The inventory list in the dispatching as well as the one in the receiving location must be changed accordingly.

#### 7.4 Donation

Another form of end of life of an asset under SoH's responsibility is donating or handing over the asset to a partner or back to the donor. This process likewise requires proper documentation in order to have the transfer of ownership well documented in the files. For this purpose, the Hand-Over-Certificate (HOC) must be filled out and duly signed by the SoH authorised representative and the authorised representative of the recipient. Furthermore, the inventory list must be changed stating as remark that the asset was handed over referring to the number of the HOC.

#### 7.5 Loss

Losses can origin from accident, theft, or destruction. In this case it must be verified, who must be informed about the particular loss, and how the damage can be minimised, for example by giving notice to the insurance company. For SoH's documentation, a SSN must be filled out and the inventory list be changed.

Version: 1.0		<b>45 of 45</b>
	Prepared by: M.Kipping	Reimund Reubelt (Chairman) Klaus Stieglitz (Vice Chairman)
Status as of: 28.02.2019	Signature:	Signature: