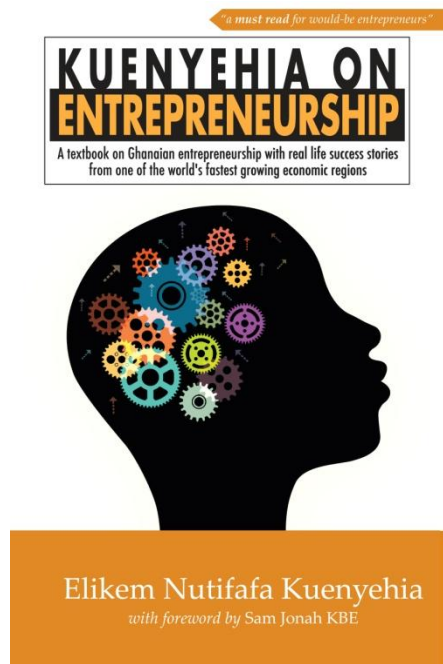


# Ethical Procurement

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## Introduction

Procurement is the act of buying goods and services. The procurement process involves both a buyer and a seller. Thus, almost every business will engage in some type of procurement during the life time of the organisation, even if it is the purchase or sale of a pen.

Ethical procurement refers to procurement processes which respect fundamental international standards against criminal conduct (like bribery, corruption and fraud) and human rights abuse (like modern slavery), and respond immediately to such matters where they are identified.<sup>1</sup>

It has been noted that unethical behaviour occur during procurements. A company may be producing cheap but quality goods using child labour. Leather products might have been produced from poached endangered animals. A buyer may conspire with a seller to inflate the price of goods so that they may share the extra proceeds. Some buyers also insist on buying from particular sellers, even if the price is higher and the goods inferior, because they have some type of interest in that seller's business. In some cases, the procuring entity may inform a bidder in a competitive bid of the lowest price so that bidder can undercut the competition and win the tender.

These unethical procurement methods have been found to hurt organisations because the procuring agency may end up paying more for goods purchased or it may be supplied with inferior goods where a particular seller who does not have the requisite track record is awarded a contract just because of nepotism. Ethical standards and practices are therefore essential factors to the success of a business. In fact, all around the world today, business entities are trying to be more ethical in their operations.

In this regard business ventures are advised to put together an ethical procurement policy which will state how the business procures goods and services. Such a policy will prohibit breach of trust by discouraging an employee from attempting to realize personal gain through commercial dealings.

Where your organisation engages in procurement with a government ministry, department or agency, it should be guided by the Public Procurement Act, 2003 (Act 663).

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<sup>1</sup> Helen Alder and Fiona Gooch, *Ethical and Sustainable Procurement*, CIPS (2013). Retrieved from [http://www.cips.org/Documents/About%20CIPS/CIPS\\_Ethics\\_Guide\\_WEB.pdf](http://www.cips.org/Documents/About%20CIPS/CIPS_Ethics_Guide_WEB.pdf)

## Components of Ethical Procurement

The following are important components which ensure ethical procurement in an organisation;

### 1. Ethical procurement policy

It is in the best interest of every business venture to have a written ethical procurement policy that will describe clearly the procedure to use during any type of procurement for the organisation. The policy must make a statement on what it deems to be ethical or unethical methods in the procurement process and should include provisions on the following elements:

- a. Conflict of interest i.e. circumstances which the company will deem the existence of a conflict of interest and what is expected of every person in that situation. For instance there may be a provision that a company which is owned by an employee directly or indirectly may not bid for a job from the company; or a requirement that if an employee has a personal relationship with the owners of a company that is bidding for a job from the organisation, that employee has to disclose that relationship before putting in the bid.
- b. Discrimination against vendors for reasons of gender, nationality, race or other factors not related to the quality of the product or service can create ethical concerns for organizations. The ethical procurement policy should have enough controls to prohibit discrimination against vendors due to nationality, gender, race or other factor.
- c. Corruption and bribery. The policy may state that the organisation does not give or take bribes in order to give out or bid for a contract. It must then spell out sanctions which a breach of this rule will lead to.
- d. The offer and receipt of 'business gifts'. There are situations where a person who has won a bid may bring a gift to say 'thank you' for the opportunity. Often it may be a form of bribe as it may influence the receiver in future when that person bids for another job. The ethical procurement policy must thus state clearly the position of the organisation on business gifts. Usually, it is safer to have a no gift acceptance policy than giving a list of gifts which can or cannot be accepted.

## **2. Ethics training**

After drafting the ethics policy, it is prudent that the employer shares the information with employees regarding what is expected of them as far as ethical procurement is concerned. It is also important to constantly remind employees as well as persons who deal with the organisation about their obligations. A way of doing this is to put posters containing information on the requirement around your office and in business communications such as on letterheads or in email signatures.

## **3. Ethics ombudsman**

A good way of upholding procurement ethics in an organization is to have an ethics ombudsman. This is a person in the business venture who is directly responsible for implementing the ethical procurement policy and with whom an employee can communicate any ethical violations. Due to the difficulty in turning away gifts from some high value customers, an ethics ombudsman will be a buffer between employees and such customers and may make employees more comfortable to report behaviours of questionable ethics. People who make such revelations must also be protected and possibly rewarded for their vigilance.

## **4. Checks and Balances**

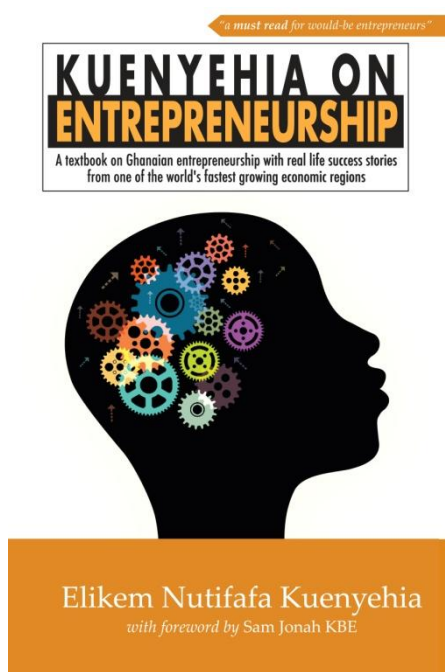
Every transaction in the organization should require the review of management to ensure that all ethical procurement guidelines have been followed and that no ethical violations have occurred or will occur.

## **5. Audits**

Periodically, audits should be performed to verify that all procurement activities have been conducted ethically and in accordance with procedures. Audits also serve as a deterrent to future unethical behaviour.

Thank you for reading!

Please find more information on how to grow and strengthen your business in Ghana via [Elikem Kuenyehia's book on Entrepreneurship](#).



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