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**Methodological
 recommendations for organizing
 procurement activities**

This research was made possible by the generous support of the American people through the United States Agency for International Development (USAID). The contents are the sole responsibility the Center of excellence in procurement at Kyiv School of Economics and do not necessarily reflect the views of USAID or the United States Government.

This research was produced with financial support from the UK Government's International Development Assistance Program. However, the views expressed do not necessarily reflect the official policy of the UK Government.

The topic of this research was proposed to the team of the Center of excellence in procurement at Kyiv School of Economics by the Ministry of Economy of Ukraine. The analysis and conclusions of the report reflect the point of view of the CEP team and do not represent the official position of the Government, the Ministry of Economy or its Department of Public Procurement and Competition Policy.

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Center of excellence in procurement at Kyiv School of Economics, 2024-2025

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Introduction

In the modern world, procurement is an important element of any organization's activities. Thanks to effectively organized procurement activities, organizations are provided with resources, technologies, services and everything necessary to implement their tasks and achieve strategic goals. Improper organization of procurement activities can lead to financial losses, violations of legislation and reduced efficiency.

This document was developed at the request of the Ministry of Economy of Ukraine in order to assist customers in optimizing procurement processes, increasing their transparency, predictability and efficiency. It contains practical recommendations that allow implementing best practices in procurement management at all stages - from planning to concluding contracts and monitoring their implementation. This document can be the basis for preparing a Model Regulation on the Organization of Procurement Activities. The development of the specified regulation is provided for by the Strategy for Reforming the Public Procurement System for 2024-2026¹ (paragraph 6 of Strategic Objective 4 “Professionalization of Public Procurement” of the Operational Plan of the Strategy), approved by the Resolution of the Cabinet of Ministers of Ukraine dated 02.02.2024 No. 76-r.

The methodological recommendations cover key aspects of the organization and structuring of procurement processes, the distribution of roles and authorities within the framework of procurement activities. The document pays attention to the implementation of ethical standards in procurement, ensuring consistency between the general strategy of the organization's development and the procurement strategy, as well as the issues of control, stimulation and motivation of specialists. A special emphasis is placed on modern approaches to improving procurement activities, which contribute to increasing its efficiency.

The guidelines are addressed to a wide audience, including public procurement specialists and authorized persons, as well as heads of organizations. They are designed for use in both large and small organizations with a branched structure.

Implementing the recommendations set out in the document will improve coordination between structural units, more effectively interact with suppliers

¹<https://zakon.rada.gov.ua/laws/show/76-2024-%D1%80#Text>

and optimally use resources. In addition, the proposed approaches will help avoid typical mistakes in procurement activities, ensuring compliance with legislative requirements and the best international standards.

We are confident that this document will become a reliable assistant in organizing procurement activities and will contribute to the development of a culture based on professionalism, ethics, and efficiency.

Chapter 1. Organization and structuring of procurement processes

Any activity must be organized and structured in such a way as to ensure the achievement of a specific goal or desired results. Procurement activities are no exception. If not organized properly, an organization² may face chaos, losses, serious financial problems, and even violation of the law. In this case, structured procurement means a logical systematic approach to their organization.

First, structured purchasing processes help an organization control costs. Having a clear understanding of what is being purchased, when, and from whom helps to avoid unexpected costs and overpayments. Organizations that do not pay attention to structuring their purchasing processes often find themselves in situations where purchases are made in a hurry, resulting in prices that are higher than they could be, which rightly attracts the attention of the public and regulatory authorities.

Secondly, an effective procurement organization increases productivity. If all employees know how and through whom certain purchases should be made, the process becomes faster and more predictable. This is especially important for large organizations and enterprises, where interaction between different departments requires clear coordination.

Third, properly structuring procurement reduces risks. When an organization follows established procedures, it minimizes the likelihood of delivering poor-quality products, non-fulfillment of contract requirements, violation of deadlines or legal requirements, including inefficient use of funds. Structured procurement also helps avoid situations where the organization becomes dependent on a single supplier, which can be risky in the event of any problems with that supplier.

Thus, well-organized, and therefore structured, procurement processes are not just a formality, but a guarantee of stable operations of the organization, financial security and reduced risks of violating the law. This allows organizations to avoid chaos, maintain transparency and use resources efficiently.

²An organization refers to a legal entity operating in the form of an enterprise, institution, facility, or other structure created to achieve specific goals.

1.1. Needs identification, market analysis and procurement planning

In this section, we will look at the main stages of preparation for the start of the procurement process: identifying needs, market analysis, and procurement planning.

1.1.1. Determining the need

This stage consists in establishing precise requirements for procurement to ensure the customer's core business. At this stage, a list of goods, works and services that are necessary to ensure the customer's business is determined. After that, available stocks (remains) are specified, procurement volumes are forecasted, and technical requirements for procurement items are developed. Thus, determining the need includes forecasting future procurement based on the analysis of previous data and the organization's strategic goals and assessing available resources. As a result, the need for procurement is determined, namely, what needs to be purchased, how much and when.

To form a need, you need to:

- to conduct an analysis:

technological documents, technical maintenance and management documentation (for example, approved plans for updating the material and technical base, building and/or equipment maintenance schedules, data on calibration certificates of metering devices, etc.);

regulations of supervisory and control bodies;

applications from structural units with a list of material and technical means necessary for them to perform their functional duties and implement relevant state programs;

previous procurements – both from the point of view of their implementation and from the point of view of user experience from the execution of the contract (experience of using the subject of the contract, experience from the contract executor);

- check the availability of supporting documents, calculations and justifications in order to determine the feasibility of conducting procurement;
- analyze the remaining inventory and determine whether it is sufficient for the organization's further activities. Information on the available inventory allows you to determine the need for replenishment;

- determine technical, qualitative and quantitative requirements for goods, works and services. This includes determining the characteristics that goods, works and services must meet, requirements for their quality and safety, and helps to avoid technological incompatibility, determine the potential cost of the purchase³;
- check with the financial department/accounting department for the availability of planned expenditures for procurement in the estimate, if the customer is a budget institution, and in the financial plan, if the customer is a business entity.

1.1.2. Market analysis for public procurement

At this stage, market research is carried out to determine the availability, quality and cost of the necessary goods and services. Market analysis helps to understand which suppliers can best meet the needs of the organization. This stage involves determining the range of potential suppliers, the availability of the necessary procurement items on the market, their market price, terms of supply and other important aspects. This includes studying market trends, the competitive environment and possible risks. The availability of information on market needs and opportunities is the basis for determining the procurement items, their expected cost and procurement methods.

During market analysis, the following can be used:

- various sources of information, such as databases, Internet resources, commercial offers, as well as the results of the analysis of concluded contracts;
- results of previous market consultations.

Conducting a market analysis involves collecting information, systematizing it, and processing it, in particular, regarding existing suppliers, their products or services, pricing policies, technological innovations, and other factors affecting the market.

This allows you to:

³Approximate cost, which can be calculated based on previous purchase prices or by reviewing market prices.

- analysis of the competitiveness of potential suppliers, including their experience, reputation, production capacity and ability to meet customer requirements;
- evaluation of price offers from various suppliers and their comparison with market prices and the organization's financial resources;
- analysis of the quality of the product or service, its compliance with established technical and functional requirements, as well as compliance with safety and quality standards;
- Identify potential risks associated with each supplier or their offerings and develop strategies to manage them.

Conducting preliminary market consultations provides the opportunity to ask specific questions to suppliers and receive recommendations, compare various offers, make a reasoned choice of goods or services with the most suitable characteristics for the requirements of the customer, and determine the expected cost of the purchase. Conducting preliminary market consultations allows not only to analyze a specific market, but also, based on the information obtained from the results of market consultations, to clarify the technical, quantitative and qualitative characteristics of goods and services, as well as the requirements for procurement participants.

1.1.3. Procurement planning

At this stage, based on the description of the need, market analysis and available budget, the expected cost of procurement is established, procurement items are determined in accordance with the Procedure for Determining the Subject of Procurement,⁴ and optimal procurement methods are selected, taking into account the priorities defined in the procurement strategy. Procurement planning also involves drawing up an annual procurement plan.

Determining the expected cost of the procurement object is an important step in the process of preparing for the procurement. A correctly determined expected cost of the procurement affects the level of competition and the efficiency of the procurement, and also allows you to adequately assess possible financial costs and avoid overspending. At the same time, a correct determination of the cost of the procurement minimizes the risks of unforeseen costs during the execution of the contract. The expected cost of the procurement is the basis for choosing the procurement method.

⁴<https://zakon.rada.gov.ua/laws/show/z0500-20#Text>

To correctly determine the expected cost of procurement and minimize the risks of cost overruns, it is necessary to follow the methodological recommendations of the Authorized Body and the requirements of current legislation regarding the determination of the expected cost of procurement. For example, develop and approve your own methodology for determining the expected cost of procurement. The methodology should be clear, based on a systematic and transparent calculation approach that involves the use of objective market data, take into account the specifics of procurement and forecast market changes, which increases the efficiency of budget management and planning of procurement processes.

Along with this, to avoid the risks of overestimating the cost of procurement when concluding contracts for the procurement of goods, works and services that are carried out without using the electronic procurement system, it is recommended to use the "Methodology for determining the procurement value without using the electronic procurement system" developed by the project team of the Center of excellence in procurement at Kyiv School of Economics (CEP) and by the DOZORRO project of Transparency International Ukraine⁵.

Procurement planning is a key stage in the process of managing an organization's resources in terms of preparing for procurement. Effective planning allows you to provide the organization with everything necessary for its operation, project implementation or production processes, and reduce the risks of budget overruns and/or untimely procurement.

When planning procurement and drawing up an annual procurement plan, the following aspects should be kept in focus:

- the expected cost of the procurement, as this will influence the choice of the type (method)⁶ of procurement;
- the complexity of the type (method) of procurement, which in turn will require appropriate qualifications of the authorized person. In the absence of the necessary competencies of the authorized person to organize and conduct complex procedures, it is worth considering alternative types (methods) or methods of procurement;

⁵https://cep.kse.ua/article/methodology_for_determining_the_procurement_value.pdf

⁶The type (method) of procurement in the text refers to the procurement mechanism that determines the sequence of actions of the customer and the supplier, for example, open bidding, negotiated procedure, or simplified procurement.

- the deadlines for the delivery of goods, performance of works or provision of services are determined, as this affects the determination of the date of commencement of the procurement;
- mandatory procurement through the Prozorro Market electronic catalog and/or transfer of procurement to the Centralized procurement organization;
- the economic feasibility of conducting the procurement procedure independently. To do this, it is worth carefully analyzing and evaluating a number of important factors:
 1. Determine the level of qualification of the Authorized Person, which depends on the volume of procurement, its complexity, as well as the specifics of the industry in which the procurement is carried out, its experience and professional competencies;
 2. Assess the market value of the services of such a specialist;
 3. Calculate the cost of the Centralized procurement organization services, for the option if the procurement will be transferred to such an organization.
 4. Compare the costs of paying for the services of the Centralized procurement organization with the costs of maintaining an Authorized Person. In addition to direct financial costs, other factors should also be taken into account, including the time required to prepare tender documentation and conduct procurement, the risks of errors or violations in the process, etc.

The advantages of refraining from conducting procurements independently may include: reducing the administrative burden and optimizing the procurement management process. However, it is worth considering that transferring procurement to a central procurement organization will require close coordination with such an organization and some control over the quality of their functions, and also does not fully eliminate the risk that procurement will not take place on time or will not take place at all.

Procurement by an Authorized Person with a sufficient level of qualification may be effective, but this will require additional financial costs for the remuneration of such a specialist, improving his qualifications for prompt adaptation to changes in legislation, and administrative support for the process.

Therefore, before making a decision on the appropriateness of the method of organizing procurement activities, it is recommended to roughly calculate the costs for each of them.

Based on available information on needs and expected procurement costs Specific procurement items are defined in accordance with the Unified Procurement Dictionary.

The annual procurement plan includes all procurement items that need to be purchased during the calendar year. The data that must be reflected in the annual plan are defined in the current legislation.

In order to ensure transparency and planning of the procurement activities of the customer, it is recommended to publish the annual procurement plan at the beginning of the year, even though the Law of Ukraine “On Public Procurement” does not establish such a requirement. Publication of the annual plan contributes to increasing the level of competitiveness in the market, as participants can familiarize themselves with the upcoming procedures in advance and prepare the necessary documents for participation. A timely published plan also helps customers to manage their resources more effectively and optimize the procurement process.

During the year, changes may be made to the annual procurement plan, if necessary.

1.1.4. General recommendations for the Authorized Person regarding the collection and determination of needs, market analysis and procurement planning

In order to ensure effective collection of needs, the Authorized Person should develop an appropriate form, instructions for filling it out, establish deadlines for providing information and the procedure for its approval. It is desirable to automate the process of collecting needs using appropriate software.

Information on the need can be collected from procurement initiators/internal customers or, if the procurement initiator/internal customer does not have the necessary competencies, create one or more working groups (if necessary) that, as part of their activities, will prepare the necessary information for procurement.

Depending on the customer's structure, the procurement unit, internal control service, or financial/accounting service may be involved to verify and agree on the expected cost of the procurement item.

Since the Authorized Person is responsible for planning procurement and forming the annual procurement plan, he/she should also prepare an action algorithm for the initiator/internal customer in case the annual plan needs to be amended, for example, in the event of an unforeseen or emergency situation. Such an action algorithm may provide that the initiator/internal customer submits information on the unplanned procurement to the authorized person or to the procurement unit and documents the objectivity of such procurement (description of the event, documentary confirmation of the fact of the event, etc.). The need for such procurement must be confirmed by the organization's management. The action algorithm should also include a stage of determining the expected cost of such procurement. Along with this, the action algorithm should provide that the financial/accounting service must confirm the availability of funding for such procurement. After receiving the above information, the authorized person may make changes to the annual procurement plan.

1.2. Choosing a procurement method

Depending on the nature, complexity of the procurement of goods, works or services and their cost, the customer may consider one of the following procurement methods:

- making purchases independently;
- implementation of centralized procurement at the level of the main spending unit (main organization);
- making purchases using the Prozorro Market electronic catalog;
- procurement by Centralized procurement organization (hereinafter referred to as CPOs).

Regarding the independent conduct of procurement

Customers have the opportunity to choose different types (methods) of procurement, depending on the requirements of current legislation and their own needs. The main types (methods) of procurement can be divided into competitive and non-competitive. Competitive - involve the participation of various participants, which ensures transparency and openness of the process, while non-competitive allow customers to conclude contracts with one supplier without conducting competitive selection.

Thus, when choosing the type (method) of procurement, the authorized person must be guided by the requirements of current legislation in the field of public procurement.

Regarding the implementation of centralized procurement at the level of the main spending unit

Centralizing procurement at the level of the main spending unit can be an effective solution to ensure that necessary procurements are made when there are insufficient resources at the lower spending unit level. This method of procurement allows for cost optimization and better expertise for procurement.

In case of need to procure a complex or specific procurement item and the authorized person does not have the necessary competence, the spending unit may contact the main spending unit to transfer the procurement to his level. In this case, it is necessary to ensure that the main spending unit has the necessary resources to carry out this activity.

In this case, the main spending unit can centralize financing at its level (not distribute funds to the spending unit level) and organize procurement for lower-level spending units. Also, centralization of financing can be implemented at the level of the main enterprise, in the structure of which there are separate divisions (branches), to ensure common procurement procedures. This approach allows to carry out procurement at a more professional level and optimize the costs of procurement activities.

Regarding purchases using the Prozorro Market electronic catalog

In case of overload, lack of skills to prepare tender documentation, as well as the need to quickly carry out competitive procurement with minimal resource expenditure, the authorized person can use the Prozorro Market electronic catalog.

To do this, the authorized person must check the availability of the desired product in Prozorro Market and the compliance of its technical characteristics with the customer's needs.

Along with this, in accordance with current legislation, a list of goods/services that must be provided using the Prozorro Market electronic catalog may be established, and therefore the authorized person must take this into account when forming the annual plan.

Regarding the implementation of procurements by the Centralized procurement organization

When analyzing future procurements, the authorized person should assess his own capabilities and resources necessary for conducting procurements. Based on the results of the assessment, a decision may be made on the appropriateness of transferring individual procurements or their vast majority to the Centralized procurement organization, provided that the existing

Centralized procurement organization carry out procurements of the relevant procurement items.

Central procurement is an effective tool for procurement, which allows for cost savings through the aggregation of procurement volumes and standardization of cyclical procurement of the same type. In Ukraine, Central procurement operates at both the central and regional levels.

Along with this, when forming an annual plan, the authorized person should take into account that, in accordance with current legislation, when creating a CPO, the government or local governments may establish a list of customers who must purchase certain procurement items exclusively through the CPO.

1.3. Conducting procurement procedures and concluding contracts.

Conducting procurement procedures involves preparation for the procurement, conducting the procedure and publishing information.

During the preparation period for the procurement:

- documentation is prepared that contains a description of clear requirements for providing documentary confirmation of the participant's compliance with the specified qualification requirements, compliance with the requirements for the subject of the procurement in accordance with the technical specifications, establishment of selection criteria, procurement conditions, fulfillment of the conditions for the delivery of goods/provision of services/performance of work;
- The tender documentation is checked for the absence of requirements that lead to an unjustified narrowing of the circle of potential bidders.

During the procurement procedures:

- organization and conduct of procurement procedures, including tenders (with or without the use of electronic auction) and other procurement methods;
- preparing clarifications regarding the provisions of the tender documentation and participating in the appeal process;
- Supplier selection is carried out, which involves reviewing and evaluating proposals, rejecting those that do not meet the requirements specified in the tender documentation, and determining the winner based on established criteria.

At the stage of information disclosure, it is envisaged to timely post information about all stages of procurement in the electronic procurement

system in accordance with the requirements and within the deadlines provided for by current legislation.

Contracting and administering contracts (optional in some organizations, depends on staffing potential and workload) involves:

- preparation of the contract for conclusion and ensuring its signing;
- monitoring the implementation of contract terms, including delivery terms, quality and volume of goods, works or services, and payment;
- preparation and conclusion of additional agreements (amendments to contracts) in accordance with current legislation (if necessary)
- storing all contracts, reports and other documents in electronic and paper formats and publishing them in accordance with the procedure established by law.

Chapter 2. Procurement Unit/Authorized Person

This section outlines the roles of specialists, as well as the key functions, rights and responsibilities of the Procurement unit/Authorized Person, highlighting their importance in ensuring an efficient and transparent procurement process in the organization.

2.1. Specialists and their roles in procurement activities

To determine the need, analyze the market and plan the procurement, both public procurement specialists and officials (officials) or both can be involved at the same time. In this case, the distribution of roles will depend on the internal structure of the customer, its features, the scale of activities, the complexity of the procurement, the functionality and scope of responsibilities assigned to specific specialists. Clearly defined roles increase the efficiency of interaction between specialists, help reduce the risks of untimely procurement, deliveries of low-quality goods, etc.

So, if the staffing list provides for the position of a public procurement specialist, and the customer is classified as “small” (see the clustering of customers in the policy brief “Optimization of procurement activities: how to improve approaches”⁷), then such a specialist will obviously combine several roles at the same time:

- first, the role of an authorized person, whose function includes organizing and planning procurement, including collecting information about needs, justifying the feasibility of procurement, analyzing warehouse stocks, etc.;
- secondly, the role of an analyst, since at this stage it is necessary to identify potential suppliers of goods, contractors and service providers, clarify the technical and quality characteristics of goods, works and services, and also navigate market prices.

At the same time, specialists from other departments may be involved in the process of gathering needs and analyzing the market, who may simultaneously with their main duties perform the role of internal customers/initiators of purchases in full or in part. If the internal customer/initiator of purchases fully performs this role, then he is actually responsible for preparing all the necessary information about the need, in some cases he may also perform the role of an analyst.

If the staffing list does not include the position of a public procurement specialist and the customer is classified as “small” (see the clustering of

⁷ <https://cep.kse.ua/article/optimization-of-procurement-activities-how-to-improve-approaches-eng.pdf>

customers in the policy brief “Optimization of procurement activities: how to improve approaches”), the procurement function will be performed by an official (service person) designated by the manager as the Authorized Person.

In this case, the official is likely to perform two roles: firstly, the role of an Authorized person, whose function includes organizing and planning procurement, and secondly, the role of a project manager (i.e., each procurement from a management point of view is considered a “project”), which consists in organizing the process of collecting all the necessary information about the need, technical and qualitative characteristics of the subject of procurement, as well as the expected cost. The authorized person can receive all the necessary information from specialists from other structural units, who will perform the role of internal customers/initiators of procurement and analysts. In the absence of such an opportunity, the necessary information can be prepared by a working group (working groups), which is created if necessary at the initiative of the authorized person.

2.2. Procurement Unit/Authorized Person and their role in procurement activities

The procurement function in an organization can be performed by a specially created unit - a procurement department/division/management/sector, or by a designated authorized person, without creating a separate unit, who is responsible for all aspects of procurement activities. The choice of approach is determined by the capabilities of the organization, the volume and complexity of procurement. The creation of procurement units is inherent in “medium” customers (see the clustering of customers in the policy brief “Optimizing procurement activities: how to improve approaches”), and procurement units - in “large” customers.

In cases where the procurement function is performed by an authorized person, without the creation of a structural unit, he becomes a key figure who takes on all the tasks usually distributed between specialists in the case of the creation of a structural unit in the organization. Accordingly, such a person must have a wide range of competencies, in particular, planning procurement, selecting suppliers, conducting procurement and concluding contracts. In the absence of the necessary competencies, the authorized person can organize work to ensure the implementation of procurement with the involvement of employees from other structural units. To ensure the formalization of this process and the establishment of areas of responsibility, it is worth developing and approving internal regulations. In this case, the success of the procurement process depends on the ability of the authorized person to coordinate all stages and ensure that procurement complies with legislative requirements and internal needs of the organization.

The Procurement unit is a critically important element of an organization that plays a key role in its stable and effective functioning.

First, the Procurement unit must organize and plan its work in such a way as to ensure the uninterrupted supply of all necessary goods, works and services, to ensure the functioning of the organization, the continuity of the production process and/or the provision of quality services. Its activities are aimed at obtaining resources in a timely manner on the most favorable terms, which allows to reduce costs and increase financial efficiency.

Secondly, the Procurement unit actively contributes to the achievement of the strategic goals of the organization. It ensures effective procurement management for the implementation of long-term plans and innovative projects. This allows the organization to adapt to changes in the market and quickly respond to new opportunities and challenges.

Third, the Procurement unit maintains the customer's reputation in the market. Through careful market analysis and the search for the best suppliers, it ensures access to quality materials and services at competitive prices.

Therefore, the Procurement unit is an integral part of the successful operation of the organization, its effective work contributes to cost optimization, maintaining a smooth production process (if the organization implements it), achieving strategic goals and maintaining competitive advantages. In order to ensure effective operation and delimitation of areas of responsibility, it is recommended to develop and approve internal regulations/bylaws governing such a structural unit.

2.3. Main tasks of the Procurement unit/Authorized person

The Procurement Unit is established (an Authorized Person is appointed) to ensure an effective, transparent and rational process of purchasing goods, works and services necessary for the functioning of the organization. The main objectives of the Procurement Unit include ensuring:

- efficiency: achieving the best value for money when purchasing goods, works and services, which allows reducing costs and increasing the efficiency of using funds;
- transparency: ensuring openness and accountability of the procurement process, preventing corruption and unfair practices;
- quality planning: systematization and optimization of the procurement planning process, which allows ensuring the timely supply of necessary resources;

- Compliance with legislation: ensuring that all procurement is carried out in accordance with applicable legislation and the organization's internal regulations;
- improving the quality of supplies: ensuring high quality of purchased goods, works and services in accordance with the organization's requirements;
- compliance with eco-trends: implementation and support of environmentally responsible purchasing practices, selection of suppliers and products that comply with the principles of sustainable development and reduction of negative impact on the environment.

2.4. Functions of the Procurement unit/Authorized person

The functions of the Procurement unit/Authorized Person include:

- Procurement planning, which involves identifying and analyzing needs, market analysis, and procurement planning;
- Preparation and implementation of procurement involves preparation of tender documentation, implementation of procurement procedures, selection of suppliers, monitoring of the procurement process;
- Contract conclusion and administration (optional in some organizations, depending on staffing potential and workload) may include preparation and conclusion of contracts, monitoring contract implementation, maintaining documentation, resolving disputes;
- Publication of information involves the disclosure of information and documents in accordance with the requirements of applicable law;
- Analysis and evaluation of procurements consists of analyzing procurements, preparing analytical reports, and reporting on performance results;
- Interaction with other departments and external organizations involves cooperation with internal departments, communication with external partners, and interaction with regulatory authorities.

2.5. Rights of the Procurement unit/Authorized person

The Procurement Unit/Authorized Person may be granted the following rights:

1. Obtaining information

The Procurement Unit/Authorized Person has the right to receive information from structural units about the needs for the procurement of goods, works and services and from the planning and economic department and/or the

accounting department about the expenditures for the procurement planned in the estimate/financial plan.

2. Participation in budget planning

The Procurement Unit/Authorized Person participates in the work of commissions and working groups on budget planning and/or their reallocations in order to prepare and provide proposals and recommendations.

3. Performance control

The Procurement Unit/Authorized Person has the right to collect information regarding the reliability of suppliers and compliance with requirements.

If deficiencies or violations of the terms of contracts are identified, the procurement unit/Authorized Person has the right to demand their elimination.

4. Interaction with suppliers:

The Procurement Unit/Authorized Person conducts preliminary consultations with potential participants and negotiations with existing suppliers to achieve the best terms of cooperation.

The Procurement Unit/Authorized Person has the right to conclude and sign contracts for the purchase of goods, works and services on behalf of the organization (if granted the right to sign).

2.6. Responsibilities of the Procurement unit/Authorized person

The responsibilities of the Procurement unit/Authorized Person include:

1. Compliance with the law:

- comply with all requirements of current legislation and internal regulatory documents regarding procurement;
- ensure transparency and competitiveness of the procurement process, preventing corruption and unfair practices.

2. Efficient use of resources:

- ensure rational and economical use of funds, in particular by optimizing procurement processes;
- strive to reduce costs through effective tendering procedures and negotiations with suppliers.

3. Communication and coordination:

- The Procurement unit/Authorized person is obliged to interact with all structural units of the organization and coordinate their activities. To ensure an efficient procurement process.

2.7. Communication of the Procurement unit/Authorized person with other structural units in the organization

To successfully perform its functions, the Procurement unit/Authorized person must maintain effective communication with other structural units of the organization. The interaction of the Procurement unit/Authorized person with other units contributes to the optimization of procurement processes, improving the quality of products and services, as well as ensuring compliance with the strategic goals of the organization.

Communication with finance/accounting department

Effective management of the procurement budget requires close cooperation with the finance/accounting department. The Procurement unit/Authorized person, as part of their functions, must have access to budget information and plan expenditures.

Effective communication with the finance/accounting department is key to successful resource management in an organization. First, it ensures proper financial support for procurement, which allows you to align procurement plans with budget capabilities and avoid financial problems. Second, cooperation helps optimize costs and adjust budget plans in a timely manner, which contributes to savings and efficient allocation of resources.

Communication between departments is critical at all stages of the procurement process, particularly during the requirement generation stage. When a purchase requisition is being formulated, potential financial constraints should be taken into account to avoid budget overruns and ensure that the request is realistic.

After submitting the request, the Procurement unit should actively collaborate with the finance department to verify the availability and accessibility of funds. This allows confirmation that the funding is sufficient to complete the procurement.

Communication with other structural units that are internal customers

Effective communication and interaction of the Procurement unit/Authorized person with other structural units that act as internal customers is a key condition for the successful implementation of procurement processes. The procurement unit/Authorized person must closely cooperate with all units to accurately determine their needs, formulate technical requirements and set

priorities. This involves regular exchange of information, joint planning of procurement and resolution of possible problematic issues. Well-established interaction helps to reduce the risks of misunderstandings, increase the quality of procurement and ensure maximum compliance of purchased goods or services with the needs of the organization.

Communication with quality, logistics and internal security departments (optional in some organizations, depends on staffing potential and workload)

The effectiveness of the Procurement unit depends on cooperation with other departments, in particular those responsible for contract control, logistics and internal security and audit. Interaction with the contract control department ensures that products comply with technical requirements and standards, avoiding poor-quality purchases. The logistics department helps plan supplies, optimize delivery routes and control deadlines.

The Internal Security Department prevents fraud and corruption risks by vetting suppliers, controlling agreements for compliance with legislation, and monitoring transactions. Such cooperation minimizes risks, increases transparency in procurement, and contributes to the stable functioning of the organization.

Interaction with the legal department

Contracting with suppliers and managing the legal aspects of procurement requires close cooperation with the legal department. The legal department provides advice on legal issues, including when appealing procurement procedures, checks contracts for compliance with legislation and the interests of the organization, and also assists in resolving disputes with suppliers. Such cooperation allows to minimize legal risks and ensure legal protection of procurement operations.

Information systems as a tool for communication and interaction

Modern information systems play a key role in ensuring effective communication and interaction between the Procurement unit and other departments of the organization. The use of procurement management systems allows you to track the status of orders, manage contracts and quickly exchange data with logistics, finance and production departments. Integrated ERP systems contribute to the establishment of a single platform for the exchange of relevant information, which helps to avoid duplication of efforts and reduces the risk of errors. Shared databases provide quick access to information on inventories, material needs and financial resources, which is the basis for coordinated actions.

Cross-functional projects to improve interaction

The organization of joint working groups and participation in cross-functional projects, typical of large customers and/or large procurement projects, strengthens the interaction between the Procurement unit and other departments. By participating in process optimization projects, for example, it is possible to effectively implement innovations, reduce costs and increase operational efficiency. Working groups on the development of standards contribute to the exchange of knowledge and joint resolution of quality issues, risk management or improvement of logistics processes. This format of interaction helps to build a constructive dialogue that contributes to the achievement of common organizational goals.

Effective interaction of the Procurement unit with other structural divisions of the organization is a key prerequisite for the successful performance of its functions. Ensuring effective communication and the use of modern information systems in the framework of interaction with other structural divisions allows to ensure timely supply of resources, optimize costs and maintain high quality of products and services. Thus, the Procurement unit contributes to the achievement of the strategic goals of the organization and increase its competitiveness in the market.

Chapter 3. Organizational ethics and responsibility

In today's world, organizational ethics and responsibility are becoming one of the key factors determining the success of organizations. Organizational ethics regulates relations within the organization, contributes to the formation of a responsible culture, and sets clear standards of behavior for employees.

Organizational responsibility includes respecting human rights, protecting the environment, transparency in financial transactions, and caring for the well-being of the communities in which the organization operates.

In view of this, building organizational ethics and responsibility in an organization is an important task, as they directly affect the quality and efficiency of business processes, in particular in the field of procurement. The introduction and observance of ethical standards in procurement activities allows ensuring transparency, honesty and objectivity in the selection of suppliers, which, in turn, increases trust in the organization, minimizes risks and contributes to achieving better results.

Organizational ethics and ethical standards both concern moral principles, but there is a difference between them:

Organizational ethics are a set of values and norms that shape the overall culture of behavior within an organization. It encompasses how employees treat each other, customers, suppliers, competitors, and society at large. Organizational ethics contribute to creating a responsible atmosphere that supports the trust and reputation of the organization and is often a component of its mission and vision.

Ethical standards are specific rules and principles that define acceptable behavior for employees in various situations. They are part of organizational ethics, but are more practical, regulatory in nature. For example, ethical standards may include requirements for confidentiality, honesty, avoidance of conflicts of interest, and transparency. They define what is permitted and what is prohibited in employee behavior.

So, *organizational ethics* is a broader concept that reflects the values and principles of the company as a whole, and ethical standards are specific rules of conduct that employees must adhere to.

A complete list of general principles, norms of behavior and standards that all employees must adhere to in their professional activities is usually recorded in the official document of the organization - the Organizational Code of Ethics. In fact, it is a guide for decision-making, shaping the culture of the organization and interaction with colleagues, clients, partners and society in

general. The Organizational Code of Ethics covers key aspects related to honesty, responsibility, transparency and ethical actions.

An organizational code of ethics may include the following sections:

- the history and mission of the organization;
- organizational structure;
- organization procedures (recruitment, adaptation, employee evaluation, training, dismissal standards);
- internal regulations (workplace, working hours, sick leave, vacations, holidays, etc.);
- organizational ethics (requirements for truthfulness and openness in interaction with colleagues, clients and partners; provisions on the protection of internal and commercial information; definition of a conflict of interest, rules for its avoidance and procedure for action when it arises; procedure for action when identifying corrupt proposals; policy on non-discrimination, tolerance and inclusion in the organization; obligation to comply with the legislation of the country and the internal rules of the organization; procedure for reporting violations or unethical behavior; mechanisms for supporting ethical behavior in the organization; feedback support programs);
- ethical standards in procurement activities.

In the absence of an Organizational Code of Ethics in the organization, it is worth developing and approving separate provisions and procedures, in particular, ethical standards in procurement activities. Compliance with ethical standards allows the organization to reduce the risks of financial and reputational losses, strengthen trust from suppliers, partners and customers, and improve the internal culture of the organization.

We recommend that when developing ethical standards in procurement activities, regulate the behavior of public procurement specialists, in particular regarding:

- transparency and honesty in dealing with potential suppliers. All procurement processes should be transparent to participants. This means providing all potential suppliers with equal opportunities and avoiding favoritism. Documentation should be clear and evaluation criteria clearly defined;
- Objectivity and fairness. Public procurement professionals must objectively evaluate all proposals based on established criteria. Decisions made must be well-founded, and rejections of proposals must be justified;

- Cost responsibility. Procurement decision-makers must adhere to the principles of rationality and efficiency to avoid unnecessary costs and ensure optimal conditions for the organization;
- Avoiding conflicts of interest. Public procurement professionals should avoid situations where their personal interests could influence the selection of suppliers. This includes avoiding any personal relationships with suppliers that could call into question the objectivity of decisions;
- Preventing corrupt practices. The organization should prohibit the acceptance of any monetary or non-monetary gifts that could influence decisions. This can be enshrined in internal policies, for example, restrictions on receiving gifts or hospitality from suppliers;
- Confidentiality of information. Information designated as confidential must remain so and be used only for decision-making;
- Environmental and social responsibility. Procurement standards may include requirements for suppliers regarding compliance with environmental standards, ethical labor practices, and social responsibility.

It is worth emphasizing that it is very important to ensure the operational independence of public procurement specialists and their protection from undue influence and pressure from the organization's management.

We also remind you that when developing ethical standards, you can use the Guidelines for the Ethical Conduct of Procurement Customers during Procurement Activities⁸, which were developed by the Ministry of Economy with the aim of forming generally accepted norms of ethical behavior, adhering to the basic principles of procurement, and preventing possible violations and conflicts of interest.

Along with this, the Ministry of Economy, in order to provide methodological and advisory assistance in ensuring a systematic approach to the formation, support and development of ethical behavior of participants, has developed Guidelines on the ethical behavior of participants/potential participants when participating in public procurement⁹.

Therefore, customers can develop certain rules for potential suppliers of goods, service providers and work performers, in accordance with which to

⁸<https://me.gov.ua/InfoRez/DocumentsList/f2e30594-ba6c-420f-9c24-2a852415a884?tag=InforezKnowledgeDb&lang=uk-UA&fCtx=inName&fText=%D0%BD%D0%B0%D1%81%D1%82%D0%B0%D0%BD%D0%BE%D0%B2%D0%B8>

⁹<https://me.gov.ua/InfoRez/DocumentsList/f2e30594-ba6c-420f-9c24-2a852415a884?tag=InforezKnowledgeDb&lang=uk-UA&fNum=3301-04%2F47784-06>

regulate those rules of ethical norms and behavior of participants that are considered acceptable and necessary during the entire procurement process and contract execution.

Such a document will help to realize common values, structure actions, and record understanding on both sides of uniform rules of ethical purchasing behavior, and will demonstrate openness to the market.

It is worth remembering that the final outcome of procurement is influenced by proper compliance with ethical norms and actions of both the customer and the participant. Violation of ethical norms can lead to disruption of the production process, inefficient spending of budget funds, and as a result, administrative and/or criminal liability.

It is also worth noting that the Strategy for Reforming the Public Procurement System for 2024-2026¹⁰ provides for the updating and regulatory consolidation of the rules of ethics of behavior of public procurement entities.

Given that updating and legally enshrining the rules of ethical conduct has been identified as one of the priority tasks, it is worth defining and starting to implement ethical standards today, as this will contribute to increasing the efficiency and integrity of procurement activities in the near future.

¹⁰The strategy was approved by the order of the Cabinet of Ministers of Ukraine dated 02.02.2024 No. 76-r <https://zakon.rada.gov.ua/laws/show/76-2024-%D1%80#Text>

Chapter 4. Organizational development strategy and procurement strategy

An organization's development strategy is a key aspect for its long-term success. It determines the overall direction of movement, priorities and ways to achieve goals. Strategy helps the organization not only effectively allocate resources, but also respond to changes in the external environment, ensuring the organization's adaptability and competitiveness.

The procurement strategy is an integral part of the overall strategy of the organization, as procurement activities directly support the achievement of the organization's key goals and objectives. A coherent relationship between the overall strategy and the procurement strategy contributes to the creation of an effective and harmonized resource management system. The main aspects of this relationship are:

1. Alignment with the organization's goals and priorities. The procurement strategy should take into account the organization's long-term and short-term goals. For example, an organization may have a strategic goal of increasing cost efficiency. To meet this goal, the procurement strategy may include cost optimization with a priority on minimizing procurement costs. In this case, the procurement strategy will include effective requirements planning, order consolidation to reduce costs, active use of electronic procurement tools, and attracting a larger number of suppliers.

Another example is that an organization may have a strategic goal to ensure environmental friendliness and sustainability of its operations. In this case, the procurement strategy may include prioritizing suppliers that comply with environmental standards or use environmentally friendly practices in the production and delivery of products. The procurement strategy may also include selecting environmentally friendly or renewable resources. For example, purchasing office supplies from recycled materials or low-emission vehicles. This is consistent with the organization's global goal of minimizing environmental impact by promoting environmental sustainability programs, which will also be consistent with Ukraine's sustainable development goals.

Thus, the procurement strategy directly supports the overall goals of the organization, helping to use funds more efficiently and implement sustainable practices.

2. Maintaining the quality of products or services. If the overall strategy of the organization is to achieve high quality standards, the purchasing strategy should ensure that suppliers who meet these standards are engaged. This may

also include developing detailed quality criteria for purchasing to ensure that products or services meet the organization's requirements.

3. Innovation and development. Many organizations have strategic goals related to innovation and product or process modernization. A procurement strategy can support these initiatives by prioritizing suppliers that offer new technologies or unique solutions that align with the company's strategic plans.

4. Corporate Social Responsibility. If the organization is focused on social responsibility, the procurement strategy may include requirements for suppliers to comply with ethical working conditions. For example, giving priority to those companies that provide decent working conditions, equality and adhere to the principles of decent pay. Thus, the organization demonstrates its social responsibility and supports ethical practices in the market. Also, the procurement strategy may include support for small businesses or social enterprises (for example, those that employ people with disabilities).

So, a procurement strategy is a long-term plan that defines the main goals, approaches and priorities of an organization in the field of procurement activities. The presence of a procurement strategy and its adherence allows the organization to optimize costs, improve the quality of purchased goods, works or services and ensure stability in supply. It also contributes to increasing the transparency of processes, minimizing risks and developing partnerships with suppliers.

An effective procurement strategy involves defining goals, analyzing needs and the market, approaches to selecting suppliers, managing risks, and implementing key performance indicators (KPIs) to monitor results.

Defining objectives. This stage develops a clear understanding of what the procurement strategy should achieve. Key steps include:

- alignment of the objectives of the procurement strategy with the overall strategy of the organization;
- setting specific, measurable, achievable, realistic and time-bound goals (including SMART);
- determining key priorities, in particular, cost optimization; increasing economic efficiency; stability of supplies; reducing procurement time; diversifying suppliers; environmental friendliness of procurement; ensuring transparency; strengthening the organization's image, etc.

Needs and market analysis. This stage provides an understanding of what the organization needs and how it can be obtained in the market.

Needs and market analysis includes:

- Needs assessment. It is important to clearly articulate the organization's needs, taking into account the volume, frequency of purchases, and specific requirements for goods or services;
- supplier market analysis. Supplier market research helps identify potential suppliers, assess the level of competition, opportunities and risks. This includes collecting data on prices, delivery terms, quality and other factors that may influence the choice of supplier;
- use of analytical tools.

Defining supplier selection approaches includes:

- selection of the method and type of procurement. Determination of criteria that allow choosing the most effective method, type of procurement, taking into account the specified legislative framework, available resources of the organization, complexity and speed of procurement;
- Supplier selection criteria. Determination of supplier qualification criteria (experience, material and technical base, employee qualifications, financial capacity) taking into account the specifics of the procurement;
- types of contracts and terms of cooperation. Development of standard contracts that take into account the specific needs of the organization, the subject of procurement and the capabilities of suppliers, including terms, payment terms and quality requirements.

Risk Management. Identifying and minimizing risks is a critical part of the procurement strategy. Key aspects include:

- Risk identification. Identifying potential risks (e.g., supply disruptions; financial risks; contract default risks) and assessing their impact on the procurement process;
- developing measures to minimize risks. This may include supplier control, concluding framework agreements, etc.;
- continuous risk monitoring throughout the entire procurement cycle.

Implementing key performance indicators (KPIs) to monitor procurement results. Before choosing KPIs, you need to clearly understand what goals need to be achieved, for example, reducing costs; improving the quality of goods/services; ensuring timely delivery; optimizing cooperation with suppliers.

KPIs It is worth linking to a specific direction, for example:

Financial efficiency. Indicators of financial efficiency can be:

- savings level - measured as a percentage of saved funds from the total procurement budget;
- average price of a purchase unit - price changes are tracked;
- Budget variance - determines how much actual expenses correspond to planned ones.

Quality. Indicators can be, respectively: compliance with standards, absence of defects:

- defect rate - defined as the ratio of defective or poor-quality goods/services to the total volume;
- Compliance with standards - defined as the ratio of goods/services that meet established requirements to the total volume.

Process efficiency. Process efficiency indicators can be: speed of the procurement process, timeliness of order fulfillment, etc.:

- speed of the procurement process - measured as the time from the creation of a purchase request to the execution of the delivery;
- Timeliness of deliveries - defined as the percentage of deliveries made within the specified time frame;
- Deviation from the procurement plan - defined as the frequency of unplanned purchases due to poor planning.

Cooperation with suppliers. Indicators can be the level of supplier reliability, supplier satisfaction index, number of active suppliers, respectively:

- the level of supplier reliability - is assessed by the number of orders completed without any violations of deadlines or quality;
- Number of active suppliers - helps determine whether there is sufficient diversification in the choice of suppliers.

After determining the direction and indicators to be monitored, it is necessary to determine the target values of each KPI. For example, cost savings - 10% per year; on-time delivery - 95% and more; the proportion of shortages or defects - less than 2%. To effectively track KPIs, it is important to automate the data collection process using appropriate software. It is worth monitoring and analyzing KPIs quarterly and preparing reports based on the results. Analysis of the provided data will allow you to identify the reasons for KPI non-compliance and improve internal processes.

Therefore, the implementation of the procurement strategy requires a comprehensive approach and involves the development and implementation of detailed procedures for the implementation of procurement activities,

systematic monitoring and evaluation of results, in particular, using automated control and reporting systems and training of procurement employees in the latest approaches, standards and technologies. At the same time, the procurement strategy must be flexible and able to adapt to changes in the internal environment of the organization and the market. Regular review of the strategy, taking into account changes in legislation, economic conditions or new needs, will help the organization maintain efficiency in procurement activities. In addition, the procurement strategy plays an important role in ensuring consistency between different departments of the organization. It promotes effective exchange of information between the procurement unit/Authorized Person and other units, which allows for informed decisions. In particular, a clear procurement strategy helps to achieve coordination of actions within the entire organization, which contributes to the achievement of its overall goals. On the other hand, the lack of a clearly defined procurement strategy can lead to loss of control over costs, failure to receive goods or services of proper quality, and increased risks.

Chapter 5. Control and reporting

Control is an integral part of effective management of any processes, including procurement. Its importance cannot be overestimated, because the proper organization of control determines the legality, efficiency and transparency in the implementation of the tasks and functions of the state and local government. Control allows not only to timely identify errors and risks, but also to prevent abuse, contributing to the rational use of resources.

The introduction of control in the procurement sector is critically important, as this process involves the management of significant financial and material resources that must be used for the benefit of society or the organization. Effective control should be carried out both by external state oversight bodies and internal independent units of the organization. This approach provides a multi-level verification system and guarantees comprehensive compliance with regulatory requirements.

Internal control plays a special role, as it allows for a prompt response to violations or risks, taking into account the specifics of the activities of a particular organization. In combination with external oversight, it contributes to building a transparent, effective and accountable procurement system.

Thus, the combination of external and internal control not only maintains order and legality, but also becomes an effective tool for improving the quality of management decisions, strengthening trust in the organization's activities, and achieving its strategic goals.

5.1. External control in the field of procurement

External control in the procurement sector is carried out by bodies that are not part of the customer's structure. Its main goal is to ensure compliance with the law, transparency of procurement, effective use of budget funds, and prevention of corruption risks.

The main subjects of external control are:

- *Accounting Chamber*. Its powers include, among other things, auditing the effectiveness of the use of budget funds, in particular in the field of procurement, analyzing them at all stages: from planning to contract implementation. Its activities are aimed at identifying violations and ensuring proper control over state spending;
- *Antimonopoly Committee of Ukraine (AMCU)*. Whose powers include consideration of complaints from participants in procurement procedures, verification of compliance with the principles of fair competition and

prevention of abuse in procurement processes in terms of identifying and combating collusion;

- *State Audit Service of Ukraine (State Audit Service)*. Its powers include monitoring procurement procedures and checking their compliance with legislation. In addition to monitoring¹¹, the State Audit Service conducts state financial audits, inspections, and other control measures. Its function is aimed at a systematic analysis of violations and recommendations for their elimination;
- *State Treasury Service of Ukraine*. The powers of the Treasury Service include, among other things, the maintenance of budget funds. It ensures control over the correctness of expenditures within the limits of budget appropriations, checking documents at the stage of payments. The Treasury Service not only controls the fulfillment of financial obligations, but also prevents the inappropriate or ineffective use of budget funds, contributing to financial discipline.

Other external control mechanisms:

External control measures also include addressing the customer:

- from law enforcement agencies (NABU, National Police, Bureau of Economic Security, State Bureau of Investigation, prosecutor's offices), which respond to cases of corruption and other violations in procurement, identify and investigate facts of abuse by officials;
- from public control (civil organizations and public activists), which is implemented through free access to information on public procurement, which is published in the electronic system. The public can analyze the data posted in Prozorro and report violations to the supervisory authorities.

5.2. Internal control

In accordance with the requirements of Part Three of Article 26 of the Budget Code of Ukraine, budget managers, represented by their heads, organize internal control and internal audit and ensure their implementation in

¹¹The list of risk indicators and the procedure for their application were approved [by Order of the Ministry of Finance of Ukraine dated October 28, 2020 No. 647](#).

their institutions and enterprises, in institutions and organizations that fall within the scope of management of such budget managers.

To conduct an internal audit, the manager of budget funds, represented by the manager, forms an independent internal audit structural unit, which is subordinate and accountable directly to such manager.

The organizational and methodological principles for implementing internal control and internal audit are determined by the Ministry of Finance of Ukraine¹².

The basic principles of internal control and internal audit, the procedure for establishing internal audit units and the principles and elements of internal control, as well as key aspects of its organization are defined by *the Basic Principles of Internal Control by Budget Administrators*, approved by the Resolution of the Cabinet of Ministers of Ukraine dated December 12, 2018 No.1062¹³ (hereinafter referred to as the Basic Principles).

To facilitate the implementation of internal control, the Ministry of Finance of Ukraine has provided recommendations and information support. In particular, in its letter dated 01.06.2022 No. 33010-07-5/11228,¹⁴ the Ministry of Finance explained in detail the key issues of organizing internal control in institutions. These recommendations are aimed at ensuring the integrity of the control system and increasing its efficiency.

For the practical application of the provisions on the organization of internal control by budget fund managers in their institutions and in subordinate budget institutions, the Ministry of Finance approved Methodological Recommendations on the Organization of Internal Control by Budget Fund Managers by Order No. 995 dated September 14, 2012¹⁵.

In addition, the Ministry of Finance of Ukraine has developed and published a number of methodological materials available on the official website. Among them:

¹²<https://www.mof.gov.ua/uk/rozvitok-derzhavnogo-vnutrishnogo-finansovogo-kontrolju>

¹³<https://zakon.rada.gov.ua/laws/show/1062-2018-%D0%BF#Text>

¹⁴https://mof.gov.ua/storage/files/%D0%B4%D0%BE%D0%B4_%2020%D0%A9%D0%BE%D0%B4%D0%BE%D0%B7%D0%B0%D0%B1%D0%B5%D0%B7%D0%BF%D0%B5%D1%87%D0%B5%D0%BD%D0%BD%D1%8F%20%D0%B7%D0%B4%D1%96%D0%B9%D1%81%D0%BD%D0%B5%D0%BD%D0%BD%D1%8F%20%D0%92%D0%9A%20%D0%BE%D0%B4%D0%BD%D0%B8%D0%BC%20%D0%A1%D0%A1%D0%9F.pdf

¹⁵<https://zakon.rada.gov.ua/rada/show/v0995201-12#Text>

- manual on the organization of internal control by state budget administrators¹⁶;
- practical guidelines for improving internal control¹⁷.

Every year, starting from 2020, by February 1, in accordance with paragraph 10 of the Basic Principles, the main administrators of state budget funds, central executive bodies, the Council of Ministers of the Autonomous Republic of Crimea, regional, Kyiv and Sevastopol city state administrations submit to the Ministry of Finance a report on the status of the organization and implementation of internal control in terms of internal control elements in the form established by the Ministry of Finance, namely, approved by the order of the Ministry of Finance of Ukraine dated April 19, 2019 No. 160.¹⁸ At the same time, the specified form was set out in a new version by the order of the Ministry of Finance of Ukraine dated August 15, 2023 No. 441¹⁹.

Internal control and audit approaches cover all processes in organizations, including procurement, which ensures proper monitoring and control over efficiency and compliance with legislation. It is worth noting that these mechanisms are appropriate for organizations of all types, and not only for budgetary institutions, since every organization, regardless of its form of ownership, must ensure an appropriate level of transparency and accountability in the procurement process. In this regard, the following recommendations relate to the organization of effective internal control and audit in procurement processes, which are important for ensuring compliance with legislative requirements and increasing the efficiency of procurement activities.

Internal control is a system of measures applied by the organization's management to ensure compliance with legal requirements, the efficiency of the use of funds, and the achievement of the organization's goals and objectives.

¹⁶https://mof.gov.ua/storage/files/%D0%B4%D0%BE%D0%B4_%201%20%D0%9F%D0%BE%D1%81%D1%96%D0%B1%D0%BD%D0%B8%D0%BA%20%D0%B7%20%D0%BF%D0%B8%D1%82%D0%B0%D0%BD%D1%8C%20%D0%BE%D1%80%D0%B3%D0%B0%D0%BD%D1%96%D0%B7%D0%B0%D1%86%D1%96%D1%97%20%D0%92%D0%9A.pdf

¹⁷https://mof.gov.ua/storage/files/%D0%B4%D0%BE%D0%B4_%202%20%D0%9F%D1%80%D0%B0%D0%BA%D1%82%D0%B8%D1%87%D0%BD%D1%96%20%D0%B2%D0%BA%D0%B0%D0%B7%D1%96%D0%B2%D0%BA%D0%B8%20%D0%B4%D0%BB%D1%8F%20%D1%83%D0%B4%D0%BE%D1%81%D0%BA%D0%BE%D0%BD%D0%B0%D0%BB%D0%B5%D0%BD%D0%BD%D1%8F%20%D0%92%D0%9A.pdf

¹⁸<https://zakon.rada.gov.ua/rada/show/v0160201-19#Text>

¹⁹https://mof.gov.ua/storage/files/%D0%9D%D0%B0%D0%BA%D0%B0%D0%B7_441.pdf

A well-established control system allows you to structure processes, avoid duplication of functions, and clearly distribute responsibilities among employees. Properly organized internal control ensures timely verification of compliance with current legislation, minimizes the risks of violations and financial losses, and helps to quickly respond to identified problems.

The main elements of internal control there are:

- *Organization of control* - includes a clear distribution of authority and responsibility among employees involved in procurement;
- *Verification procedures* - regular review of documentation, control of budget execution, risk analysis and prevention of violations;
- *Implementation of IT systems* - use of electronic tools to automate monitoring, reporting and analysis;
- *Performance assessment* is carried out through an audit within the organization, which allows you to identify shortcomings and improve procurement processes.

Effective internal control *contributes to:*

- Optimization of procurement processes through automation and clear structuring of work procedures;
- Minimizing risks associated with misuse of budget funds or violations of legislation;
- Streamlining the organization's internal processes through the implementation of modern monitoring and analysis tools;
- Increasing transparency and accountability of processes, which builds trust from the public and regulatory authorities.

The manager must ensure a systematic approach to controlling all stages of procurement activities. This includes:

- Appointment of persons responsible for implementing internal control;
- Development of internal procedures for document verification, monitoring of deadlines and effectiveness of contract implementation;
- Creation and use of electronic databases for storing and analyzing information.

Of particular importance is the preparation of regular reports on the implementation of internal control, interaction with public organizations, and the involvement of external experts.

Therefore, internal control is an integral part of effective procurement activities. It ensures not only compliance with legislation, but also transparency, rationality and accountability of processes, strengthening trust in the organization and its activities.

Chapter 6. Approaches to improving procurement activities

To achieve high efficiency in the procurement sector, the customer must constantly analyze its actions and processes. This process not only allows to identify weaknesses, but also creates opportunities for improving the quality of products or services, transparency of procedures and cost optimization. Let's consider the key aspects of such analysis.

1. Evaluation of the results of the procurements carried out

The first stage of the analysis is a thorough assessment of the purchases already made. At this stage, it is important to focus on the correspondence of plans with actual results. This helps the customer understand whether the organization's needs have been met and how effectively the budget has been used.

Particular attention should be paid to:

- comparison of actual indicators with planned ones;
- checking the conformity of goods, works or services with the needs of the organization;
- analysis of the cost of procurement in terms of the ratio of the expected cost of procurement and the actual cost of contracts.

This assessment lays the foundation for further actions and allows for initial conclusions to be drawn about the strengths and weaknesses of procurement activities.

2. Procurement risk analysis

To minimize potential problems, it is important to conduct a risk analysis. This process involves identifying the most likely risks, such as:

- cancellation of bidding;
- budget overrun;
- failure to fulfill the terms of the contract.

Using a risk-based approach helps ensure timely response to unforeseen situations and make procurement processes more resilient to external factors.

3. Analysis of the practice of control bodies

In addition to internal procurement analysis, procuring entities should pay attention to the practice of regulatory authorities, such as the Antimonopoly

Committee of Ukraine (AMCU), the State Audit Service of Ukraine (SASU), and judicial authorities. Studying their practice contributes not only to improving procurement activities, but also to minimizing the risks of violating the law.

Practice of the Antimonopoly Committee of Ukraine²⁰

Analysis of decisions on appeals helps to avoid typical mistakes. Analysis of practice on detection of anti-competitive actions of suppliers helps to detect collusion and other violations of competition. Application of AMCU recommendations allows to avoid discriminatory requirements in tender documentation.

Practice of the State Audit Service of Ukraine

The practice of the State Audit Service helps customers identify typical violations in the field of procurement and avoid financial risks by studying auditors' reports and recommendations.

Jurisprudence

Case law helps clients assess the interpretation of legal norms, prepare for possible disputes, and adapt internal processes in accordance with changes in law enforcement practice.

Regular analysis of decisions of the Antimonopoly Committee of Ukraine, the State Audit Service, and the courts allows for more correct procurement, which in turn increases the professional competence of procurement specialists.

Development of improvement plans

The final stage of the procurement analysis is the development of recommendations and a clear action plan to address the shortcomings. This stage may include recommendations for centralizing procurement, implementing new tools or approaches, or other measures that will achieve long-term goals.

Effective procurement requires a systematic approach to analysis at every stage of the process. From careful planning before the procurement to evaluating the results after its completion, each type of analysis has its own key importance. **Pre-, on-going and post-procurement analysis** allow the

²⁰<https://amcu.gov.ua/napryami/oskarzhennya-publichnih-zakupivel/uzagalnena-praktika-kolegiyi-amku-z-oskarzhennya-publichnih-zakupivel>

customer not only to ensure compliance with legislative requirements, but also to achieve optimal results in cooperation with suppliers, risk management and increasing overall efficiency. Understanding these three types of analysis allows you to assess the current situation and avoid common problems.

How can you describe each of them and how to organize them:

Preliminary analysis

Pre-procurement analysis includes a needs assessment and planning before the procurement itself in order to identify risks. It includes a needs assessment, supplier market and price research, the formation of technical requirements and supplier selection criteria. For the effective organization of the pre-procurement analysis, it is recommended to develop clear procedures and use analytical platforms.

On-going (current) procurement analysis

Current procurement analysis includes monitoring the procurement process at all stages - from the announcement of a tender to the signing of a contract and the delivery of goods or services. This includes assessing the implementation of procedures in accordance with legislative requirements, monitoring the implementation of contracts, and analyzing the compliance of supplies with quality and quantity requirements. For the effective organization of current analysis, it is recommended to organize a system of constant monitoring of procurement, involving specialists to verify compliance with technical requirements, and establishing internal control mechanisms for prompt resolution of problems.

Post-procurement analysis

Post-procurement review is conducted after the procurement is completed and includes an assessment of performance results. This includes assessing contract performance, comparing actual costs with planned costs, and assessing internal customer satisfaction. To improve procurement processes, it is recommended to regularly review contract performance, collect feedback from users of goods or services, and use the results of post-review to improve procedures.

The results of various types of analysis, together with the practice of the State Audit Service, the Antimonopoly Committee of Ukraine, and the courts, create conditions for more effective procurement organization. This allows:

- avoid mistakes;
- minimize the risks of appeals;

- ensure that the procurement process complies with best practices.

This approach forms the basis for long-term improvement of procurement activities and their compliance with modern requirements.

Chapter 7. Incentives and motivation of procurement professionals

The effectiveness of work in the procurement sector largely depends on the professionalism, interest and level of motivation of specialists. Motivation is a key factor that determines the quality of task performance, compliance with ethical standards and achievement of the organization's strategic goals.

An important condition for successful procurement activities is an established incentive system that allows employees to realize their full potential. In its absence, the quality of performance of duties is significantly reduced, since specialists do not have sufficient incentives for responsible and productive work. The use of only disciplinary measures or fines without the implementation of a motivation system does not contribute to achieving high results.

The purchasing function, although sometimes underestimated, plays a key role in providing the organization with all the necessary resources. The overall success of the organization and the comfort of each employee's work depend on the effectiveness of the work of purchasing managers.

To increase the motivation of procurement specialists, it is advisable to develop a Regulation on employee incentives. It should provide for incentive measures and clearly define key performance indicators (KPIs). Such a regulation will make the incentive system transparent, fair, and focused on achieving specific results.

In addition, it is important to consider both financial and non-financial aspects of motivation. A balanced approach to motivating specialists will help improve the quality of work, strengthen team spirit, and achieve the organization's strategic goals.

Let's consider the main methods of stimulation and their possibilities:

1. Material incentives

- *Competitive wages* - ensuring adequate remuneration taking into account the market and the complexity of the work;
- *Bonuses for achieving results* - bonuses for procurement efficiency²¹, process optimization or successful implementation of key performance indicators (KPIs);

²¹At the regulatory level, the procedure for drawing up the Regulation on Bonuses is regulated only for civil servants, namely by the order of the Ministry of Social Policy dated 13.06.2016 No. 646 "On

- *Compensation package* - additional benefits, such as tuition payment, health insurance, or coverage of transportation and lunch expenses.

2. Career opportunities

- *Professional growth* - creating conditions for advanced training, participation in certification programs, obtaining new knowledge and skills²²;
- *Vertical career* - the possibility of promotion, for example, from a specialist to the head of the Procurement unit;
- *Development of horizontal skills* - involvement in projects that allow you to expand your competencies (analytics, risk management, strategic planning).

3. Professional training and development

- *Regular training* - trainings, seminars and webinars to improve knowledge on areas of legislation, new tools and best procurement practices;
- *Exchange of experience* - participation in conferences, forums and professional associations to interact with colleagues and obtain new ideas;
- *Internship* - training in leading organizations or companies with the aim of borrowing advanced approaches.

4. Moral motivation

- *Recognition of achievements* - public recognition of successful work, for example, awards, praise from management, recognition in corporate publications;
- *Feedback* - providing constructive evaluations of work, which helps increase the trust and confidence of specialists in their abilities;

Approval of the Model Regulation on Bonuses for Civil Servants of State Authorities, Other State Bodies, Their Offices (Secretariats)" <https://zakon.rada.gov.ua/laws/show/z0903-16#Text>

²²The professional standard for a public procurement specialist, introduced in 2023, provides for advanced training at least once every three years <https://me.gov.ua/LegislativeActs/Detail/4f80c65b-a263-4b25-827f-7c4a8b6c97c6?lang=uk-UA>

- *Involvement in decision-making* - participation in strategic planning, which gives a sense of influence on the strategic goals of the organization.

5. Creating comfortable working conditions

- *Providing the necessary resources* - modern IT tools, comfortable workplaces, access to databases and information materials;
- *Flexibility in work* - the possibility of flexible schedules, remote work, or balancing work and personal time;
- *Team support* - creating an atmosphere of cooperation and trust in the team.

6. Ethical and social motivation

- *Supporting ethical principles* - creating a positive image of the procurement profession and the organization;
- *Contribution to society* - awareness of the importance of work in procurement for the development of an organization, society, or the state as a whole.

When an employee is not coping with their duties, it is important to find out the reasons, such as insufficient knowledge, overload or personal problems. After that, various methods of influence can be applied:

- *Task rotation* - redirecting an employee to tasks in which he can perform better;
- *Responsibility* - providing more responsibility to encourage initiative and independence;
- *Termination of the contract*²³ is a necessary step if none of the methods work and the situation does not change.

Therefore, a systematic approach to stimulating and motivating procurement professionals will help increase their engagement, efficiency, and

²³According to the Standard Form of Contract with the Head of a State-Owned Enterprise, approved by Resolution of the Cabinet of Ministers of Ukraine No. 597 of 02.08.1995, the basis for terminating the contract with the head is a violation of the law when using the financial resources of the enterprise, including procurement using state funds <https://zakon.rada.gov.ua/laws/show/597-95-%D0%BF#Text>.

job satisfaction. This will contribute to the creation of a professional team capable of implementing innovations, achieving high results, and ensuring transparency and quality of procurement processes.

Steps for implementation

To effectively implement the guidelines, we suggest that organizations begin by analyzing their procurement activities to identify the processes that most need improvement and development. Then, these recommendations should be adapted to the specifics of the organization, taking into account its scale, volume, and complexity of procurement.

To implement the process of improving procurement activities, several important steps should be taken:

1. **Develop and approve internal regulations** that clearly define procurement processes, roles and responsibilities of each participant in the process;
2. **Train staff** — conduct trainings and seminars for authorized persons and procurement specialists, with an emphasis on new approaches to organizing work;
3. **Establish communication** — create an effective system of interaction between the Procurement unit, other departments of the organization, and external partners;
4. **Automate processes** — implement modern information systems that will optimize the planning, tendering, and reporting process;
5. **Ensure transparency** — use electronic platforms to publish information about procurement, which will increase trust among the public, procurement participants, and regulatory authorities;
6. **Introduce regular monitoring and evaluation of procurement activities**, using performance indicators that allow for prompt identification of deficiencies and improvement of processes.

For effective implementation of methodological recommendations, it is necessary to ensure support from the organization's management. Changes must be consistent with internal policies and aimed at achieving strategic goals, without disrupting the overall course of the organization's development.

The high-quality implementation of these measures will allow to raise the procurement activity to a new level, which will contribute to increasing its efficiency, optimal use of resources, minimizing risks and improving the image of the organization. This will allow the organization to become a professional partner that fulfills its obligations, adheres to high standards and is able to work effectively even in difficult conditions.