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OPERATIONS (ECHO)

Resources

**Programming, Control and Reporting**

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### **Subject: Process for Recognition and Assessment of Humanitarian Procurement Centres ("HPC") by DG ECHO.**

#### 1. INTRODUCTION

Humanitarian Procurement Centres ("HPCs") are non-profit organisations specialised in the technical and commercial management of supplies and services necessary for the implementation of humanitarian actions. They can also provide technical assistance in procurement or supply pre-established stocks, purchasing or logistics capacity. Before an HPC is recognised by DG ECHO, it is screened and thereafter it is periodically assessed to ensure that it fulfils the requisite criteria set by DG ECHO. The concept of HPCs is explained in the HPC Charter.

#### 2. BACKGROUND INFORMATION

DG ECHO must ensure that the humanitarian supplies and services procured under DG ECHO-funded Actions comply with the requirements set in the Financial Regulation, such as the principles of best value for money and no conflict of interest. In line with the 'Do No Harm' principle, DG ECHO's partners must also ensure adequate quality of products. In pursuance of this duty, DG ECHO launched the HPC initiative in 2003 to recognise and promote the expertise and support of these non-profit entities, specialised in sourcing and distributing supplies and services for use in humanitarian aid actions.

DG ECHO Partners – not working under indirect management (HACA) - may be assured that the HPCs are respecting the minimum procurement requirements and obligations imposed to them in the HPC Charter without having to conduct in-depth analysis of the functioning and financial viability of the HPCs. This allows DG ECHO Partners to apply a negotiated procedure with a single offer to award the contract, irrespective of its amount, as a simplification measure for the procurement procedures.

During the HPC assessment process explained further in this Note, only those candidate entities, which have been positively assessed by DG ECHO as complying with the criteria and obligations set out in the HPC Charter, will be invited to sign the HPC Charter and

will be recognised as HPCs. The recognition is effective upon the signature of the HPC Charter and publication of the HPC in the HPC Register <sup>(1)</sup>.

### 3. ELIGIBILITY CRITERIA FOR HPCs

*"An HPC is a non-profit organisation specialising in the procurement of supplies or services necessary for the delivery of humanitarian aid or the provision of related technical assistance, supply purchasing or logistics services".* <sup>(2)</sup>

In order to be recognised as an HPC, the candidate must meet the above definition and fulfil the following eligibility criteria:

#### 3.1 Legal personality & registration

The HPC can be:

- (i) A specialised humanitarian procurement organisation set up according to the national legislation of their country of establishment (which may be located outside the European Union); or
- (ii) (ii) a specialised supplies, logistics or procurement department or service of a non-governmental organisation or international organisation, including international public sector organisations set up under international law by intergovernmental agreements, specialised agencies set up by such organisations (e.g. the UN and its agencies), the International Committee of the Red Cross or the International Federation of the Red Cross and Red Crescent Societies.

Provided that the HPC is a non-profit entity, the HPC Charter does not specify any requirements in terms of its form of legal incorporation. Independently of its formal set-up, the HPC must hold sufficient legal personality to undertake legal obligations, sign contracts, benefit from external funding, and justify its costs. To ensure the required degree of independence of action, it has often been considered preferable that an HPC holds separate legal identity (i.e. registration in its own name and have its own legal personality).

Nevertheless, because the separate legal registration of an HPC cannot alone be considered as a guarantee that the HPC is capable of operating in an independent and autonomous way or treat all potential clients equally, DG ECHO, in seeking observance of the underlying principles, does not consider it necessary to insist on the registration of a new legal entity to host the HPC. This is provided that the HPC applications demonstrates that appropriate structures exist to accommodate the HPC and its specialised role in humanitarian procurement in compliance with the principles set herein. So, if a specialised supplies, logistics or procurement department or service of an NGO can demonstrate to be in compliance with the principles and criteria set herein, ECHO considers that nothing prevents these departments from benefitting of HPC recognition analogous to that expressly offered to supplies, logistics or procurement department or service of International Organisations.

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<sup>(1)</sup> [http://ec.europa.eu/echo/files/partners/humanitarian\\_aid/HPC-register\\_en.pdf](http://ec.europa.eu/echo/files/partners/humanitarian_aid/HPC-register_en.pdf)

<sup>(2)</sup> Article 1(a) HPC Charter

Where an HPC is in any way linked to another NGO or International Organisation (e.g. either formally being part of the same organisation or more generally bound by a common mission-statement or hierarchy) the HPC must, as a minimum:

- (i) submit to strict rules of autonomy in handling overheads and similar costs when procuring on behalf of its own organisation (to avoid double charging or the unnecessary charging of overheads in cascade);
- (ii) have sufficient discretionary power to carry out its own procurement decisions without being influenced by operational considerations linked to its organisation's own projects and financial interests; and
- (iii) be constituted in a way which allows it to be directly accountable to DG ECHO and its Partners for its decisions, and for the suitability of its suppliers and quality of the products and services it procures.

### 3.2 Non-Profit Nature

An HPC must be a non-profit body. A ‘non-profit’ organisation refers to any entity established under the relevant laws in the country where it is registered, regardless of its legal form, that can demonstrate its non-profit nature in practice. <sup>(3)</sup>. Also, HPCs must establish all their prices with due regard to this principle of non-profit <sup>(4)</sup>. During the assessment process prior to granting recognition, applicant HPCs must be able to demonstrate the methodology used to establish their sales prices to DG ECHO (noting that this shall also be subsequently tested periodically in the framework of on-site examinations). Consequently, *Buying Agents*, being commercial, profit-making entities providing technical assistance to humanitarian organisations on the basis of a service contract, clearly do not qualify as HPCs since they lack the requisite non-profit nature.

### 3.3 Non-discriminatory sales and fair pricing policy

An HPC must be both willing and able to procure products and services for any other humanitarian organisation in an open, reliable way and on an equal-treatment basis regarding price, performance and quality, among others. Entities such as (i) *Specialised supply chain management departments*, which procure only or mainly on behalf of their own organisation and (ii) *Related Procurement Centres*, which - while offering services to several humanitarian organisations - do so only on the basis of exclusivity agreements, membership or other selective criteria, therefore lack the required openness and non-discriminatory sales policy to be eligible as HPCs.

Furthermore, pursuant to Article 17 of the HPC Charter, the organisation's price setting mechanism (including all overheads and marks-up) must be transparent and ensure equal treatment of clients. The mechanism needs to be written and verifiable by DG ECHO to demonstrate compliance with these principles.

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<sup>(3)</sup> A ‘non-profit’ nature should be stated in its constituting documents, statute or similar legal document.

<sup>(4)</sup> Profit means a surplus of receipts over the costs incurred by the HPC when delivering supplies or services to humanitarian organisations

### 3.4 Expertise in Procurement

An HPC must have the management of the supply chain as a core function, either in specific areas of trade (medical supplies, shelter supplies, food, etc.) or for the general supply of relief items and humanitarian aid services <sup>(5)</sup>.

HPCs should have the necessary expertise and knowledge about the products in their area of procurement specialisation and, where necessary, have the suitable, qualified professional expertise to ensure that the supplies and services comply with international standards in that domain.

If the HPCs are stock-holding their inventory in their own premises and warehouses, including regional hubs, then they should comply with international standards and good storage practices for the supplies in question.

### 3.5 Procurement procedures

An HPC must have well-documented procurement procedures, which are based on internationally accepted procurement standards. These ensure open, transparent and fair procurement aimed at obtaining high quality goods and services on a best-value-for money basis. The HPC's procedures must comply with the HPC Charter.

Since an HPC and its suppliers must be eligible to receive EU funds, it must be established that the HPC is not in any of the exclusion situations defined in Article 138 of the Financial Regulation applicable to the general budget of the European Union <sup>(6)</sup>, and that it has measures in place to ensure that its suppliers and contractors are also eligible.

### 3.6 Financial & Administrative Capacity

An HPC must have the administrative, internal control and financial capacity to perform its procurement-related activities and services in an organised and regular manner and in accordance with the best practices in the sector.

An HPC must demonstrate sufficient financial stability, so as to avoid posing an undue risk to DG ECHO Partners, who may place orders with it. Having regard to the operational constraints of humanitarian actions, the capacity to communicate correctly and effectively in the main languages used by humanitarian organisations (i.e. English or French) shall be taken into account as a technical element in the assessment procedure.

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<sup>(5)</sup> Depending on their areas of specialisation, the HPCs recognised by ECHO generally supply goods or services in one or more of the following areas: Pharmaceutical products & medical supplies; Medical devices & equipment; Prosthetic Technology; Veterinary; Food; Livelihood support; Water & Sanitation; Shelter & Non-Food items; Engineering, Radio and Telecommunications; Transport; Administration and Services

<sup>(6)</sup> Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council of 23 September 2024 on the financial rules applicable to the general budget of the Union (recast)

## 4. ASSESSMENT OF CANDIDATES

### 4.1 Submission of application

The information submitted in an application for HPC recognition should enable DG ECHO to check that the applicant fulfils all the Eligibility Criteria identified (Part 3 - above).

The HPC candidate submits its application, on a voluntary basis and in accordance with the application instructions and templates published on the DG ECHO Partners website, which includes the HPC Questionnaire Phase 1 together with the list of requested supporting documents. In order to facilitate the assessment, applicants will be strongly recommended to submit the supporting documents, where possible, in either English or French. Where documents are submitted in another language, as for example in the case of copies of original documents <sup>(7)</sup>, which must be submitted in the language in which they have been legally established, the applicants may be requested to provide a translation into English or French of the document or extracts of it. The translations do not need to be official translations by a certified translator. It is the responsibility of the applicant to assure the correctness and integrity of the translation with respect to the original text and to certify that the documents and information submitted to DG ECHO are complete and truthful.

The HPC application will be considered formally received when the signed HPC Questionnaire together with all the required supporting documents are received by DG ECHO at [ECHO-HPC-CONTACT@ec.europa.eu](mailto:ECHO-HPC-CONTACT@ec.europa.eu) and DG ECHO confirms receipt to the applicant by explicitly communicating a registration number (ARES reference number).

Such registration number marks the initiation of the recognition process, throughout which DG ECHO may continue to request specific documents or information from the applicant. Non-submission of the necessary information or supporting documents or failure to respond adequately to requests for further information or documentation after the allocation of a registration number, may result in DG ECHO's rejection of the application, as provided in part 4.3 of this Note (below).

### 4.2 Assessment Procedure

Once the HPC candidate submits its application (HPC Questionnaire phase 1 and Supporting Documents), and DG ECHO confirms receipt via e-mail within 15 working days, the HPC assessment procedure shall be carried out in two phases.

The phase 1 of the assessment will be performed on the basis of a desk-review of the HPC Questionnaire and Supporting Documents. DG ECHO will assess the application and check compliance of the candidate with the Eligibility Criteria identified in Part 3 of this Note, in alignment with the HPC Charter.

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<sup>(7)</sup> e.g. act of registration, statutes, audit reports certifying the annual accounts signed by external professional Auditors.

Provided that the questionnaire is complete and the supplied information meets the requisite eligibility conditions for HPC recognition, DG ECHO will subsequently notify the HPC candidate via email that it will duly proceed to phase 2.

As part of phase 2, an on-site examination to one of the HPC's locations will be carried out by external auditors under DG ECHO's Audit Framework Contract. The on-site examination will cover the areas outlined in the HPC On-site examination ICQ.

#### 4.3 Rejection & Review Procedure

If, during phase 1 or phase 2 of the assessment, the organisation is unable to demonstrate compliance with the minimum eligibility criteria set for HPCs based on the submitted information, DG ECHO will inform the applicant of the grounds for rejection of HPC recognition. Unsuccessful candidates may consider reapplying for HPC recognition, not earlier than one year after the date of rejection.

There is no legal entitlement to be recognised as HPC. DG ECHO reserves the right to reject applicants that do not meet the requisite eligibility conditions for HPC recognition.

### 5. RECOGNITION PROCEDURE

If the outcome of the assessment is positive, the applicant shall receive a letter signed by the Director-General of DG ECHO informing that, based on its application, it has been considered eligible for HPC recognition and inviting it to sign the HPC Charter. The applicant shall also provide the information to be published in the HPC Register. Both documents must be sent to [ECHO-HPC-CONTACT@ec.europa.eu](mailto:ECHO-HPC-CONTACT@ec.europa.eu). The HPC recognition will only be granted upon the signature of the HPC Charter and it will become fully effective upon its inclusion in the HPC Register.

#### 5.1 HPC Charter

The aim of the HPC Charter is to define the common standards of safe, transparent, efficient and ethical procurement and sound financial management shared by the Commission and the HPCs recognised by DG ECHO.

By signing the Charter, an HPC undertakes to observe a number of enforceable commitments, common principles and good practices and to uphold certain obligations towards both DG ECHO and its Partners.

These include a commitment to uphold the Mandatory Principles of Procurement (Ethical Procurement, Best Value for Money, Equal Treatment and Non-Discrimination, Transparency and Right of Access, Proportionality, Avoiding Conflicts of Interest, Due Diligence, Fraud Prevention and Response and, where possible, Environmental

Sustainability<sup>8</sup>) and to observe the Special Provisions for the Procurement of Food and Medical Supplies, as well as the Financial and Administrative Provisions.

Failure to respect the commitments entered into by signing the HPC Charter may be sufficient ground for the termination of an HPC's recognition (See Part 7 of this Note).

## 5.2 HPC Register

The HPC Register is the list of recognised HPCs published on the DG ECHO Partners website<sup>(9)</sup>, indicating the contact details, warehouse locations, countries and regions of operation, goods and services supplied, and other relevant information.

The HPC shall provide such information to DG ECHO truthfully, grant DG ECHO the right to publish information concerning the HPC, and shall promptly inform DG ECHO in the event of changes related to its information, set-up and operations.

If an HPC recognition should be terminated in accordance with the procedure outlined in Part 7 of this Note (below), the name and details of the HPC will be removed from the HPC Register online.

## 5.3 Legal implications of HPC Recognition

Although the HPC Charter creates a framework for DG ECHO and HPCs to work together based on a commitment towards certain common principles, it must be clearly stated that DG ECHO is not a party to any procurement transaction which may be undertaken by an HPC for any of DG ECHO Partners.

DG ECHO's recognition of an entity as an HPC demonstrates that DG ECHO is satisfied with the HPC's adequate procedures and structures to procure and store products according to its appropriate standards. Nevertheless, DG ECHO's recognition of a given organisation as an HPC does not entail any certification of the quality of individual products or services provided by the HPC in each transaction, nor can the HPC system be presented as a system of preferred vendors. HPCs will avoid any misrepresentation to third parties of the status or scope of the recognition as HPC.

In the absence of any contractual link between DG ECHO and the HPC in procurement transactions, DG ECHO will not accept any liability for failures to respect contractual obligations in this context, including any failures by HPCs or DG ECHO Partners. Contractual relations between HPCs and humanitarian organisations will be governed by the contracts agreed between the two Parties. Any possible failure to comply with the contractual obligations should be addressed on the basis of the relevant provisions of those contracts. HPCs are responsible for complying with their contractual obligations with third parties and will assume all liabilities derived from the performance of the contracts.

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<sup>8</sup> The non-compliance with the environmental sustainability requirement is optional and will not result in rejection. However, it will be mentioned in the HPC Register.

<sup>(9)</sup> <https://www.dgecho-partners-helpdesk.eu/reference-documents-ngo#:~:text=DOWNLOAD-.HPCs%20Register,-EN>

In addition, it is the responsibility of both the contracting parties, i.e. the humanitarian organisation and the HPC, to guarantee that the delivered supplies or the rendered services are of satisfactory quality and in accordance with the technical description provided in the contract. When dealing with HPCs, Partners should recall that, although DG ECHO has fully assessed the HPC as an organisation, it is the Partner's responsibility to comply with its contractual obligations, ensure due diligence and that the individual contracts concluded with HPCs observe certain basic standards as regards quality and timely delivery.

## 6. PERIODIC EXAMINATION

DG ECHO will periodically re-assess the HPC's compliance with the obligations set out in the HPC Charter on the basis of periodic on-site examinations. More specifically, on-site HPC examination will assess the following: financial viability, administrative capacity, organisational changes, respect of correct procedures, non-discriminatory sales policy, non-profit nature, fair pricing policy and quality of supplies.

Moreover, DG ECHO may at any time request the HPC for the submission of any additional documents or information in the scope of such periodic examinations. DG ECHO should not unnecessarily burden HPCs with information requests.

To ensure that the correct procedures are respected in practice, on-site examinations will include 'walk-through tests' of transactions and procurement processes for a number of purchases made by both DG ECHO Partners and other clients from the HPC, which can be paid for by using DG ECHO funding.

An on-site examination shall be done in accordance with a pre-established assessment methodology, and its findings will be presented to the HPC and the European Commission in a final report which includes the comments of the HPC in a transparent way. The examiners may take into account the experience of DG ECHO Partners when dealing with the HPCs (e.g. any complaints received) and pay particular attention to any changes that may have taken place in the HPC's procedural environment, since the last on-site examination. The report of the on-site examination will formulate a comprehensive opinion on the operations, internal control, pricing methodology and procurement procedures of the HPC and may include a number of suggestions for improvement.

An important part of the on-site examination shall be dedicated to assessing the pricing policy used by the HPC, in compliance with the HPC Charter. With special reference to Article 17 of the HPC's Charter, the examiners shall seek to ascertain the following:

- HPCs will not aim at obtaining financial benefits resulting from their activities. The organisation's price setting mechanisms must enable the organisation to recover its costs without generating profits. Consequently, any possible surpluses should be reinvested in the organisation itself in order to increase the operational, technical and financial capacity of the organisation, respecting the principle of transparency, and shall not be transferred to other actions, departments or organisations.
- HPCs may use mark-ups for their price setting to ensure that all the costs of the organisation are covered with the sales prices invoiced to their clients, but the HPCs shall ensure compliance with the principle of sound financial management and mark-ups should reflect the real handling costs of the products sold.

- HPCs should ensure that their price setting mechanism is transparent and ensures equal treatment of clients. The mechanism needs to be written and verifiable by DG ECHO to demonstrate compliance with these principles. HPCs shall therefore provide detailed invoices identifying the different costs charged, the mark-ups applied and, when relevant, added value services, transport, insurance, etc.

## 7. TERMINATION PROCEDURE

The HPC recognition shall be withdrawn by DG ECHO if an HPC:

- commits serious or repetitive breaches of its contractual obligations towards DG ECHO Partners (particularly if these contradict the commitments towards safe and efficient procurement made by HPCs in the HPC Charter); or
- fails to comply with the Mandatory Principles of procurement in the HPC Charter (particularly in cases of corrupt, fraudulent collusive or coercive practices); or
- no longer complies with the eligibility criteria, definition and characteristics of an HPC as defined in Part 3 of this Note.
- the HPC no longer wishes to be recognised as such.

DG ECHO may initiate termination procedures either upon its own initiative (e.g. in response to its findings from periodic or other assessments) or upon receipt of a substantiated complaint from one of its Partners (e.g. reports of poor quality, missed deadlines etc).

When DG ECHO has reasonable justifications to believe that one of the above-mentioned grounds for termination exists, it shall send the HPC a formal termination letter, which provides reasons for its opinion and grants the HPC 30 days to present its observations. The HPC may request DG ECHO to re-consider its intention by submitting, within this 30-day period, whatever written arguments and supporting documents it judges pertinent.

If the grounds for termination are not contested or are confirmed upon review, the withdrawal of HPC recognition shall be confirmed in writing, including the available complaint mechanisms. The HPC shall be immediately removed from the HPC Register and DG ECHO Partners shall be informed accordingly. This termination procedure is without prejudice to the adoption of administrative or financial sanctions by the Commission.

## 8. DATA PROTECTION

The European Commission is committed to protect your personal data and to respect your privacy. As part of the process of recognition and assessment of HPCs, the Commission collects and further processes personal data pursuant to Regulation (EU) 2018/1725 of the European Parliament and of the Council of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, is applicable (repealing Regulation (EC) 45/2001).

Please refer to the privacy statement<sup>10</sup> explains the reason for the processing of your personal data, the way we collect, handle and ensure protection of all personal data provided, how that information is used and what rights you have in relation to your personal data. The privacy statement also specifies the contact details of the responsible Data Controller with whom you may exercise your rights, the Data Protection Officer and the European Data Protection Supervisor.

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<sup>10</sup> <https://www.dgecho-partners-helpdesk.eu/ngo/actions-implementation/procurement/humanitarian-procurement-centres-hpcs#dg2>