

1 PROCUREMENT POLICY AND PRINCIPLES

This 6th edition of the DanChurchAid (DCA) Procurement Manual is based on the [DCA International Strategy 2019-22](#), donor requirements and international best practices. This Manual describes how to implement appropriate procedures in all procurement activities to support the strategy statement: *“Professional and accountable procurement is essential to ensure efficient use of money and quality in projects”*¹. The purpose of this Manual is to meet the strategy goals; to build procurement knowledge, ensure procurement planning and quality in procurement. As a result, funds are spent honestly and efficiently to the benefit of the beneficiaries. The procedures of this Manual ensure that DCA and implementing partners practice sound procurement with transparency, equal opportunities, ethics, best quality and value for money, supporting the project community, and preventing conflicts of interest and corruption as fundamental principles.

The Procurement Manual is dynamic and updated based on donor requirements, user experiences and best practices. The manual content is based on the below definition of procurement. Users of the Manual are encouraged to provide feedback and suggestions to the DCA Procurement and Logistics Unit (ProLog) in Copenhagen, Denmark. We appreciate all inputs received to the previous edition and extend a big thank you to all who have contributed to this edition.

Definition of Procurement

The strategic process of acquiring supplies, service and works. The process covers the purchase or rental of the required resources and includes all functions from identification of needs, market analysis, planning purchases, sourcing of candidates, obtaining and evaluation of quotes, award of contracts, contract administration, and ensuring the delivery and receipt of the resources.

The overall aim of procurement is to acquire resources in an efficient and transparent manner which meets the needs at a best quality and price ratio. The procurement process starts at the planning phase of a project and ends once the required resources have been received or tasks are completed, and all documentation is properly filed.

The Manual and templates are developed based on international best practice and donor guidelines e.g. World Bank and EU, and the procedures and guidelines meet DG ECHO rules and requirements to procurement. With a login and a password, the Manual and templates can be downloaded from the [DCA Procurement webpage](#), where previous editions of the Manual are also available.

The Manual is one prominent document in the organisation’s procurement efforts, however; it does not stand alone. The Manual exists in concert with several other organisational guidelines among these are the Logistics Manual, Guides to USAID and UNHCR procurement, as well as a Field Office Start-up Guide. All guidelines are available from the above webpage.

Applicability

The Manual is freely available to DCA and implementing partners. It is applicable to all DCA operations including procurement in Country Offices, self- and partner implemented projects. For projects with Danida or DCA own funds of an annual budget below DKK 500.000, partners can apply own procurement rules

¹ The DCA International Strategy 2019-22 section 8.3: <https://www.danchurchaid.org/how-we-work/international-goals-and-strategy>

and guidelines. If partners do not have their own procurement rules and guidelines meeting international standards, this Manual applies.

The guidelines in this Manual are minimum requirements. If a donor stipulates stricter procurement rules and procedures, those rules shall prevail. If a donor stipulates less strict rules and procedures, this Manual is applicable.

Operations funded through the ACT Alliance via a multilateral agreement based on an ACT appeal are not subjective to this Manual, as DCA's contractual relationship is with ACT and not the partner. However, when a bilateral contractual relationship exists with a partner through the ACT Alliance, the policies and procedures of this Manual shall apply, and shall be annexed to any cooperation agreement between DCA and that partner.

PROCUREMENT PRINCIPLES		
Principle	Outcome	How
Transparency	Fraud prevention No conflict of interest Competition	Procurement Committee Advertise business opportunities Inform bidders of evaluation criteria Document procedures and decisions Publicize contract awards
Equal Opportunity	Equal treatment Non-discrimination Fair competition	General Advertisement of Business opportunities Provide information simultaneously to bidders Make genuine specifications and terms of references Don't invite companies providing technical inputs Don't discriminate (ethnicity, gender, nationality, etc.) Know the market and invite broadly
No Conflict of Interest and Corruption (actual and perceived)	Transparency non-discrimination	Sign Declaration of impartiality and confidentiality Don't invite family and friends Don't invite companies where there is a financial interest Observe segregation of duties
Proportionality and Competition	Cost efficiency Effectiveness Satisfactory quality Timely delivery Best price	Different procedures for different thresholds Don't artificially split lots Provisions for exceptional circumstances e.g. emergencies Attract and invite enough suppliers and candidates
Ethics	Ethical behaviour	Implementation of Code of Conduct for Contractors Supplier analysis and visits Include ethical criteria in RFP/RFQ/Tender Dossier Think Green e.g. transportation, eco-friendly products, materials or recycled products Responsible negotiations on price, delivery and terms
Support the Project Community	Empowerment Economic sustainability	Split the items into manageable sub-lots Market survey to identify relevant suppliers/candidates
BEST VALUE FOR MONEY		

Procurement Principles

The Contracting Authority administrates entrusted funds and is accountable to beneficiaries and public and private donors alike. Throughout the procurement process, the Contracting Authority shall perform

professionally to ensure that funds are spent in a financially and ethically sound manner in support of the Sustainable Development Goals (SDGs) and with respect for the dignity of the beneficiaries and their right to efficient aid. To ensure this responsibility, all procurement of supplies, services and works, irrespective of the Procurement Procedure, shall be carried out based on the below Procurement Principles.

Because there is a strong link between the principles and some desirable outcomes, the procurement work is guided by a set of procurement principles, please refer below. The principles represent a way of thinking with associated actions. They are the backbone of the procurement decisions and the foundation and compass for every person involved with procurement. The following Procurement Principles constitute the basis for sound administration of all procurement related activities. These principles contribute to SDGs 2, 5, 8, 10 and 16.



1.1 TRANSPARENCY

Transparency is a strong tool in preventing fraud and corruption, displaying hidden and visible conflicts of interest, ensuring equal access to information and enforcing genuine competition among bidders. It supports integrity in the process by ensuring that procurement is conducted in the open and that nothing is hidden or taking place in secret. Consequently, transparency in the procurement process makes it easier to detect irregularities and ensures that funds are being honestly spent and accounted for. It is one element in ensuring best value for money.

This is practically done by establishing a procurement committee where procedures and decisions are documented. In addition, we ensure that all relevant procurement information is shared with the suppliers or candidates. This means that the business opportunities are published in a way that makes the opportunities visible and accessible to the relevant suppliers or candidates, the award criteria are communicated to the suppliers or candidates in the procurement documents and the result of the procurement process is communicated to bidders and to the general market.

1.2 EQUAL OPPORTUNITY

Equal opportunity is instrumental in ensuring fair competition in the applicable procurement procedure, because there is no bias, no discrimination or unjustified differentiation between suppliers or candidates. The procurement committee facilitates this by publishing the business opportunities, by knowing the market and inviting a broad range of relevant suppliers or candidates, by giving the suppliers or candidates the same number of days to respond, and by drafting genuine specifications and TOR to uncover what the market can offer, while still being true to what the need is.

NOTE: If a supplier or candidate has been requested to help and input to the technical specifications or the tender material, they may not submit an offer under that purchase.

1.3 NO CONFLICT OF INTEREST AND ANTI-CORRUPTION

No conflict of interest and anti-corruption are two sides of the same coin.

No conflict of interest

Avoiding any conflict of interest is important to support the principle of transparency, anti-corruption and to avoid discrimination. It is crucial to identify any conflicts of interest and manage them well, or it may evolve into corruption, which is poisonous for the aim of obtaining best value for money.

A conflict of interest occurs whenever a person is or is perceived to be partial and biased in his/her professional functions, and misuses the professional position for private, financial or organisational gain, or for the gain of any third party e. g. family, friends, colleagues, etc..

Staff involved in procurement must sign the Declaration of Impartiality and Confidentiality (GEN 2-1), recognising their specific responsibilities in ensuring good judgement and no conflicts of interest in procurement activities of any kind. The purpose is to alert the procurement committee to individual or organisational actual and perceived conflicts of interest and to avoid getting into situations, in which they may have a private interest that could influence their professional conduct.

The Contracting Authority shall also be alert to conflicts of interest and non-competitive practices by suppliers or candidates. Procurement cannot take place if it is known that a supplier or candidate has any financial interest with an employee.

Anti-corruption

Corruption is defined as the misuse of entrusted power for private gain. Corruption may occur on various levels and in different forms. What always characterises corrupt practices is that they involve conflicts of interest and negatively influence impartiality and objectivity in e.g. the selection process or in the contract execution. The abuse of power, extortion, fraud, embezzlement and bribery is always prohibited (and in most countries illegal).

Staff are not permitted to give or receive any gifts, services or favours that may influence the execution of their professional function and performance. In order to respect traditions and conventional hospitality, minor gifts or small-scale hospitality may be accepted, if the intention is professional. Receiving minor gifts shall never influence the staff's good judgement and shall be shared with colleagues in order to create transparency and prevent partiality. Cash gifts are never to be accepted. As the value of an acceptable gift varies across the countries, receiving or giving a minor gift is always a matter of context, good judgement and professionalism. Whenever in doubt, contact a superior.

Unacceptable gifts are defined as having a value above EUR 100 and substantial hospitality, such as accommodation and holidays are never acceptable. Staff shall not engage in corrupt practices. To further prevent corruption and misuse of finances and to safeguard the integrity of the process, it is required to have segregation of procurement and payment as per the organisation's authorization schedule. Procurement and payment cannot be undertaken by the same person.

Staff shall reject any bid and terminate any contract put forward by corrupt actors. Staff shall follow the [Anti-corruption Policy](#) and are obliged to report all corrupt incidences to a [Complaint Mechanism](#)². Partners and contractors must live up to the anti-corruption policy. It is the responsibility of the Contracting Authority to inform the partners and other relevant stakeholders about this policy.

1.4 PROPORTIONALITY AND COMPETITION

Proportionality means that the procurement procedure selected to award a contract is proportionate to the value of that contract. Consequently, there is a relationship between the goods or service being purchased (what) and the procedure applied (how). The essence of the principle of proportionality is described by the saying: "Do not use a sledgehammer to crack a nut." Proportionality is pragmatic in the sense that the procedures for relatively small procurements would be simple and straightforward, while the procedures for procurement of higher values would be correspondingly more demanding. Proportionality is in place to

² Contractors who have signed a contract with DCA, or DCA implementing partner, shall file a complaint through: <https://www.danchurchaid.org/how-we-work/quality-assurance/anti-corruption>

ensure cost efficiency and effectiveness. This manual operates with four procurement procedures; simple, negotiated, local and international open tender with four associated thresholds. Provisions for exceptional circumstances such as emergencies are available and described in detail in section 4.7 Derogations.

When a procurement is divided into several sub-lots, the total value of all lots must be considered to establish the compliant procurement procedure, even if each lot is subject to an individual contract. This is a consequence of proportionality.

NOTE: The estimated value of a contract may not be used to circumvent the principle of proportionality, nor may a procurement procedure be split up for that purpose.

Competition is linked to proportionality and the higher the value of the contract the higher the requirement for competition. This is evident in this manual's requirement to the minimum number of suppliers or candidates that must be invited for the different procedures. The purpose of competition is to optimize the combination of quality, price and delivery for the Supply, Services and Works contracts. To achieve this, it is important to invite enough suppliers or candidates within the given procedure to obtain the required degree of competition in the market and thus the best quality, best delivery time, at the best price.

1.5 ETHICS

A buying organisation is an active player in the global market buying various supplies, services and works. Therefore, it influences the flow and allocation of economic resources and consequently has an impact, whether direct or indirect, on poverty, rights, social- and environmental conditions. Thus, the Contracting Authority has a responsibility and obligation to ensure that the way it practices procurement seeks to decrease the ethical risks and support sustainable development. Ethical procurement is in line with DCA general values and goals of empowering *"the world's poorest people in their struggle for a life in dignity"* with *"respect for every individual's rights and equal worth"*³.

Practicing ethical procurement involves looking beyond economic parameters and efficiency. The life cycle of the products and services we purchase and the related social consequences, risks and implications for people, society and the environment, shall be considered in the procurement process. Within this commitment lies a responsibility to encourage and oversee responsible business behavior in our supply chains and the implementation of our Code of Conduct for Contractors (GEN 4).



The following Ethical Procurement Principles are based on international conventions⁴, recommendations from the [Danish Initiative for Ethical Trade \(DIEH\)](#), [UN Guiding Principles on Business and Human Rights](#) and [ECHO's Humanitarian Aid Guidelines for Procurement 2011](#). These principles contribute to the above listed SDGs 1, 2, 3, 6, 7, 8, 10, 12, 13, 15.

³ <http://www.danchurchaid.org/about-us/organisation-and-strategy>

⁴ The full list of international conventions related to the Ethical Procurement Principles can be found in the Code of Conduct for Contractors GEN 4.

Promote and Protect Human, Social and Labour Rights

Staff and partners shall in all procurement work towards avoiding procurement practices and decisions, which negatively affect people's human, social and labour rights. Throughout the procurement process the impact procurement decisions may have on people's rights shall be considered. Furthermore, the necessary actions to promote a responsible business environment where contractors are willing and able to integrate people's human, social and labour rights in their businesses shall be taken.

Procurement decisions shall seek to support and promote the following internationally recognised rights: The International Human Rights; non-exploitation of child labour⁵; freedom to choose employment; freedom of association and collective bargaining; payment of living wages⁶; freedom from discrimination in employment; no harsh and inhumane treatment of employees; safe and hygienic working conditions; non-excessive working hours; and securing regular employment⁷.

Uphold International Humanitarian Law and Related Conventions

For all procurement the necessary precautions to avoid contractors who are engaged in activities which initiate, sustain or exacerbate armed conflict and violations of International Humanitarian Law⁸, or any other illegal activity shall be taken. The Contracting Authority shall always seek to avoid procurement practices and decisions, which directly or indirectly inflict harm on civilians affected by conflict.

Staff shall uphold the responsibilities and commitment to the [Ottawa Convention](#) against landmines and the [Convention on Cluster Munitions](#). It is important not to use contractors who are engaged in any development, sale, manufacture or transport of anti-personnel mines, cluster bombs or components or any other weapon, which feed into violations of International Humanitarian Law or is covered by the Geneva Conventions and Protocols.

Counter Terrorism

DCA wishes to ensure that none of its funds or other assets worldwide are made available to persons or entities linked to terrorism, as defined by the UN Security Council. DCA implementing partners are equally obligated to ensure that they do not engage in transactions with or provide resources directly or indirectly to entities associated with terrorism.

To meet this obligation, the Procurement Procedures in this Manual ensures that suppliers and candidates certify by signing that they have no links to terrorism. Furthermore, to verify the selected supplier or service providers' eligibility and prior to signing a purchase order or contract, the Contracting Authority shall always consult [The UN Security Council](#), [EU](#) and donor relevant sanctions lists as per DCA Counter Terrorism Compliance Policy.

Protection of the Environment

To minimise any environmental damage caused to the environment via procurement, the Contracting Authority shall seek to act in accordance with the [Rio Declaration](#). This involves making procurement decisions, which consider environmental issues and integrate them into the procurement process.

Please consider the following four main issues in the procurement process and in the selection criteria: The choice of transportation and the associated pollution risks; the purchase of environmentally friendly products, materials or recycled products whenever possible and pertinent; efficient use of resources, and

⁵ The definition of child labour is found on: <https://www.unglobalcompact.org/what-is-gc/mission/principles/principle-5>

⁶ A living wage is the minimum hourly wage necessary for an individual to meet basic needs, including housing and other incidentals such as clothing and nutrition. According to ILO Conventions a living wage includes a discretionary income. A discretionary income is the amount of an individual's income that is left for spending, investing or saving after taxes and personal necessities (food, shelter, and clothing) have been paid.

⁷ A list of the rights to be upheld and promoted is found in the Code of Conduct for Contractors GEN 4.

⁸ International Humanitarian Law prohibits pillage – the unlawful taking of private property for personal or private use. This includes the accusation of private property based on force, threats, intimidation, pressure and through a position of power accomplished due to the surrounding conflict.

conservation of scarce resources (water, flora, forest, land, etc.). For inspiration on approach, relevance and specifications, please see the [EU Green Public Procurement criteria](#) developed to facilitate the inclusion of green requirements in procurement documents as well as the Sphere thematic sheet on [Reducing environmental impact in humanitarian response](#).

Code of Conduct for Contractors

This Manual includes a Code of Conduct for Contractors (COC) in GEN 4 which defines the ethical principles and standards for contractors. The COC is a mandatory component of all contracts and shall be signed by all contractors.

It is the contractors' responsibility to comply with the COC. As a rule, it is preferred to promote dialogue and positive changes instead of a 'running and cutting' practice⁹ which does not contribute to actual improvements. However, if a supplier or service provider does not commit to the COC, the Contracting Authority shall turn down the quote or proposal and if a contractor does not comply with the COC, the Contracting Authority shall consider terminating the contract. The Contracting Authority shall always act in accordance with donor requirements for termination of contracts.

1.5.1 Implementation of the Ethical Procurement Principles

To decrease and avoid the ethical risks related to procurement, it is recommended that the following issues are considered and integrated in the procurement process:

- **Lead times and changes to contract specifications.** Short lead times and changes to the contract specifications may influence contractors' ability to provide secure and regular employment and may result in forced (and unpaid) overtime. Good planning and clearly defined specifications and selection criteria enable contractors to plan and provide feedback on specifications.
- **Pricing.** Putting pressure on prices may have negative consequences for contractors' employees and may lead to deterioration in health, safety and payment of living wages or compensation for overtime. The prices paid shall leave room for both the supplier and the Contracting Authority to benefit from the relationship. Be aware of this when negotiating the contract price, and always make sure to pay the contractor on time.
- **Include ethical criteria in the RFP/RFQ/Tender Dossier.** When relevant make sure to include ethical criteria in the specifications or the TOR and contract conditions in the RFP/RFQ/Tender Dossier and in the Proposal- or Quotation Submission Form. This could be in the form of requirements to specific ethical criteria that the product, service or works must live up to or additional requirements to the contract performance (which are not mentioned in the COC). If certifications or standards (e.g. Fair Trade, Rainforest Alliance, SA8000 or FSC) are required as a means of proof for complying with a set of defined criteria, it must be stipulated that other reliable means of proof are also accepted.
- **'Think Green'.** Whenever possible and pertinent, think green solutions into procurement. This could be product specific such as: solar panels, wind power, water efficient equipment, biogas installations, recycled materials, etc. Also include requirements to specific certifications which ensure e.g. environmental sustainability, proper energy management, legal and sustainable forestry, organic materials, ecology, etc.
- **High risk sectors and countries.** Please be aware that ethical risks are often related to specific sectors and countries and are often interrelated. E.g. child labour is often also bonded or trafficked; the garment and textile sector is known for violations of labour rights; child labour is more common in the agricultural and garment/textile sectors than in other sectors; seasonal production is more likely to make use of migrant workers whose labour rights are often not covered by national law; in many developing

⁹ A 'running and cutting' practice means the immediate termination of sourcing from a supplier. Termination of a relationship with a supplier does not have a positive effect on employees, working conditions or situation. On the contrary it might worsen their situation.

countries the minimum wage is not a living wage; land grabbing is often related to food production and bio fuel; and polluting production practices are often associated with certain industries and countries.

It is recommended to make a risk assessment to get a basic identification of sector and country specific risks in the country of operation. You may find useful information on [Human Rights and Risks for Businesses](#); [Human Rights Watch](#) and [Global Risks and Businesses](#).

- **Sharing knowledge.** Sharing knowledge (through e.g. NGOs, government institutions, trade unions, etc.) on general CSR¹⁰ issues, general attitudes towards human rights, national laws and environmental risks in a given country provide essential and useful information on ethical issues and risks.
- **Small-scale risk assessment on Contractors.** The sourcing of new contractors shall entail a small-scale risk analysis on each contractor's ethical business performance. If possible, it is recommended to make a Google search on each contractor in order to generate information on e.g. CSR policy, labour violations, human rights violations, polluting practices, relevant certifications, the SA8000 standard etc. Findings shall be documented and filed in the procurement file. The generated information - positive, negative or non-existent shall then be integrated in the selection of contractors. If any, the identified ethical problems shall be addressed in dialogue with the chosen contractor or alternative procurement options shall be identified.
- **Supplier visits.** When visiting suppliers or candidates for sourcing reasons or other reasons make simple observations on ethical issues also e.g. how are the working conditions? Is wastewater led directly into the stream or river? Are children working at the compound? Are workers in direct contact with chemicals? etc. Document your observations, make a note to file in the procurement file or in your supplier database and take appropriate action.
- **Engaging in dialogue.** Dialogue is an important component of creating changes to ethical issues. As a rule, if there is a suspicion or proof of a contractor not complying with the COC, this should be discussed in the Procurement Committee. It should then be decided what actions are to be taken for that specific case in that specific context – all with the aim of dialogue. If the problem is severe, e.g. child labour, bonded labour, mine production etc. the programme management shall be included to find a proper solution or for determining if the contract should be terminated.

1.6 SUPPORT THE PROJECT COMMUNITY

Procurement can be a tool to empower and sustain the economy in the project area and potentially assist and support the project objectives. Therefore, the Contracting Authority shall whenever possible and appropriate, seek to procure human and material resources in the project implementation area. This can be accomplished by taking care in drafting sub-lots matching the capacity of the available suppliers or candidates in the project area. Before carrying out procurement activities, the Contracting Authority must carry out a market survey as described in section 4.1 Procurement Plan step 3, to ensure that procurement in the project area does not distort the local market, increase prices, or cause harm to the environment.

1.7 BEST VALUE FOR MONEY

Best value for money is the overall goal for the procurement process and is achieved by fulfilling the above principles of transparency, equal opportunity, no conflict of interest and anti-corruption, proportionality and competition, ethics and when relevant, support the project community. Best value for money means efficiency, effectiveness and economy in procurement.

¹⁰ Corporate Social Responsibility. CSR is a volunteer business reporting framework or business approach which includes environmental and social aspects alongside financial measures. Through CSR businesses include a social and environmental responsibility in their business actions and goals.

Economy in procurement is when the goods and services are made available in an appropriate quality and quantity, at the best price, in the right place and in due time (The five 'R's of procurement) within the budget available. This is the result of a transparent, ethical and competitive procedure with no conflict of interest nor corruption, providing equal opportunity to all suppliers and service providers.

Efficiency in procurement is about the best relationship between the goods and service selected and the results achieved. In other words, it is about getting to the results in a cost-efficient manner. This is a result of proportionality, selecting the correct procedure and conducting a compliant process.

Effectiveness in procurement is meeting the objective and the intended result. This is result of clear objectives, planning the inputs and good collaboration between the stakeholders.

1.7.1 Award Criterion

Best value for money is an objective award criterion ensuring that the optimum quotation or proposal is awarded the contract. It is important to keep in mind, that best value for money it is not determined by cost alone. Therefore, we are not forced to select the offer with the lowest price. Instead best value for money means selecting the offer fulfilling the needs as defined in the technical specifications or the TOR and the five 'R's of procurement:

- The right quality
- The right quantity
- The right price
- The right place
- The right time

Regardless of the Procurement Procedure, the award of contract shall always conform to the principle of best value for money, ensuring that Procurement Procedures are open to the broadest degree of competition. This will in turn secure a satisfactory quality and quantity of the resources; a timely delivery or completion at the agreed place; and a competitive price with considerations to human, social and labour rights and the environment.