

3 PROCUREMENT PROCEDURES

The basic way of awarding contracts is competitive tendering. The purpose is:

- to ensure that operations comply with the awarding principles; and
- to obtain the quality of services, supplies or works required, at the best possible price

There are several different Procurement Procedures, each allowing a different degree of competition. Procurement Procedures are the rules and actions that instruct how to purchase a given resource. The Procurement Procedure is assigned according to the Contract Category (Supply, Service and Works) and the value of the purchase. This chapter provides an introduction to the Contract Categories, the Procurement Procedures and thresholds available to users.

The appropriate Procurement Procedure is selected for each lot in the Procurement Plan, and to do so the Procurement Committee shall first consider which Contract Category the resources belong to and the value of the contracts accordingly. For an overview of the thresholds and the affiliated Procurement Procedures for the Contract Categories, please refer to the table in section 3.2.

3.1 CONTRACT CATEGORIES

The resources to be procured are divided into the following three Contract Categories:

Supply

Supply Contracts cover the purchase, operational leasing¹, rental or hire of products including rental of vehicles, equipment, venues and property, with or without an option to buy. The delivery of products may in addition include siting, installation, training and maintenance.

Service

A Service Contract for the provision of a defined service. It covers all intellectual and non-intellectual services other than those covered by Supply Contracts and Works Contracts. Some examples of service contracts are:

- A Study Contract includes studies for the identification and preparation of projects, feasibility studies, technical studies and audits.
- A Technical Assistance Contract, where the contractor is called on to play an advisory role, or to manage or supervise a project in the Supply Contract.
- A Rental Contract for a vehicle with a driver. Rental of a vehicle without a driver is considered a Supply Contract.

A Service Contract and an Employment Contract are two different types of contract. An Employment Contract involves recruitment, fixed salary, regulations on leave, resignation restrictions, etc. These obligations are for the Contracting Authority as an employer, rather than as a party to a contract for the provision of a defined service. Employment Contracts are not covered by this Manual and are not considered to be procurement. See more details in section 7.5.

¹ For operational leasing there is no transfer of legal ownership to the lessee. Depending on the contract most risks are held by the owner.

Works

'Works' means the outcome of building or civil engineering as a whole, and is sufficient to fulfil an economic or technical function. Works Contracts cover either the execution, or both execution and design of a work corresponding to the requirements specified by the Contracting Authority. It is a Works Contract when an entrepreneur or a construction company has the obligation of delivering works and is responsible for hiring and/or buying the necessary resources to fulfil this obligation (i.e. the entrepreneur hires the labour, brings the equipment and buys the construction materials and supplies). Examples of Works Contracts are construction, reconstruction, demolition, repair or renovation of a building, site preparation, excavation, drilling, etc.

NOTE: In the event where there are elements of both services and supplies represented in a contract, the Procurement Procedure shall be determined by the Contract Category, which represents the highest value. Such contracts are sometimes referred to as Hybrid Contracts.

3.2 THRESHOLDS AND PROCUREMENT PROCEDURES

The Contract Category and value of a contract defines the applicable Procurement Procedure for a given purchase. The rules and procedures to be followed are more demanding the higher the value of the contract.

The contract value is determined by the estimated cost of a lot, including any additional services or options covered by the contract. If the contract establishes a running relationship, e.g. a service agreement or a Framework Contract, the contract value covers the entire contract period and includes all related payments.

This section describes each of the four applicable Procurement Procedures. It is important to stress that it is mandatory to follow procedures for each purchase. Detailed information and guidelines on these procedures are described in the Supply (6), Service (7) and Works (8) chapters respectively. To see an overview of the steps involved in the four Procurement Procedures please refer to GEN 9.



Learn about Contract Categories, Thresholds and the affiliated Procurement Procedures in e-training number 4: [Thresholds and Procurement Procedures](#).

NOTE: If donor rules are stricter than the procedures outlined in this Manual, the donor rules shall prevail.

Minimum Threshold of EUR 300

Purchases with a value below EUR 300 are not considered procurement and thus no Procurement Procedure applies. The documentation required is an invoice. If pertinent in a project or an office, the minimum threshold can be lowered or removed. If so, this must be reflected in the Country Office Financial Manual.

Simple Procedure

The Simple Procedure is the simplest Procurement Procedure. This procedure is applicable for procurement between EUR 300 - 9,999.

For the Simple Procedure it shall be documented that the price of the procured goods or service corresponds with or is lower than the market price while meeting the technical specifications or TOR. To establish this, several methods exist. It is possible to obtain written quotations or refer to recent contracts from the past 12 months. The advantages of written quotations are many. They evidence what has been offered, thereby reducing misunderstandings and are easy to document. Alternatively, the method can be verbally obtained quotations, documented in a Note to File or printed prices and specifications from the internet. Regardless of the method chosen, a minimum of three prices must be collected, specifications must be available and documented in the procurement file.

The collected prices and specifications or TOR must be evaluated based on the award criteria. The most compliant supplier or candidate shall receive a purchase order or contract.

Negotiated Procedure

The Negotiated Procedure is more formal than the Simple Procedure and is applicable for Supply and Service Contracts when contracts are within the value EUR 10,000 - 149,999 and EUR 10,000 - 299,999 for Works Contracts.

The Negotiated Procedure requires that a minimum of three suppliers or candidates are invited simultaneously to submit a quotation based on an RFQ or RFP. The contract shall be awarded the most compliant supplier or candidate. For contracts above EUR 30,000 it is mandatory to publish the Award Notice in a suitable place for suppliers and candidates to see e.g. the information board or on the Contracting Authority's website. Letters to all unsuccessful suppliers or candidates shall be submitted. The Negotiated Procedure is less formal than a Local Open Tender Procedure and gives the opportunity to negotiate the terms of a contract.

Local Open Tender Procedure

The Local Open Tender Procedure (from here on named Local Open Tender) is more demanding and elaborate than the Negotiated Procedure. It is applicable to higher value purchases of EUR 150,000 - 299,999 and EUR 300,000 - 2,999,999 for Works Contracts.

The procedure requires a public advertisement of a Tender Notice in newspapers or online procurement media, etc. in the country of operation, with a bid flow of at least 21 days. A Local Open Tender shall provide eligible suppliers or candidates within the country of operation with the same business opportunities.

A specified Tender Dossier shall be drafted and forwarded to interested suppliers or candidates who then can make a tender request. After the deadline of receiving tenders, the tenders shall be opened and announced in the presence of any interested tenderers who wish to attend. Evaluation of the tenders is carried out by the members of the Procurement Committee based on a clearly predefined award criteria in the evaluation grid. The outcome of each member's evaluation is compared, and the best compliant tender is awarded the Contract. It is mandatory to publish the Award Notice in a suitable media and on the Contracting Authority's website. Letters to all unsuccessful suppliers or candidates shall be submitted.

NOTE: For Works Contracts where the Local- and International Open Tender is applicable, there are no step guides and templates in this Manual. For planning and implementation of these procedures please contact the DCA Desk Officer in Copenhagen or at CO for advice and standard templates.

International Open Tender Procedure

The International Open Tender Procedure (from here on named International Open Tender) is like the Local Open Tender except for the rules applicable to advertisement and the timeframe for the bid flow. International Open Tenders shall always be advertised internationally, and the deadline for submitting a tender shall be at least 30 days after the Tender Notice is published. The International Open Tender is applicable for all purchases of Supplies and Services above EUR 300,000 and for Works above EUR 3 million.

Table of Thresholds and Procurement Procedures

	SUPPLY	SERVICE	WORKS
Simple Procedure	EUR 300 – 9,999	EUR 300 – 9,999	EUR 300 – 9,999
Negotiated Procedure	EUR 10,000 – 149,999	EUR 10,000 – 149,999	EUR 10,000 – 299,999
Local Open Tender	EUR 150,000 – 299,999	EUR 150,000 – 299,999	EUR 300,000 – 2,999,999
Int. Open Tender	Above EUR 300,000	Above EUR 300,000	Above EUR 3,000,000

For an overview of the steps involved in the four Procurement Procedures please see GEN 9.