



Diakonia

Procurement Guidelines

Revised 2012-08-27 and 2016-01-20

Final



PEOPLE CHANGING THE WORLD

Revised Procurement guidelines for Diakonia

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Procurement Guidelines - introduction

Diakonia sets a high standard for its own work, trying to meet objectives set up in the Policy and Strategy plans for the organisation. The Procurement Guidelines is part of a set of guidelines to help staff and partner organisations in the implementation of the overarching values for the operations. For most of its operations Diakonia receives funding from different back-donors. Most agreements with these back-donors have incorporated rules concerning procurement with these funds. At the end of the day these guidelines are there to make sure that commitments are lived up to when performing necessary procurements for operation.

Diakonia's Procurement guidelines are to be used by all Diakonia offices when buying goods or services. These Guidelines also apply to partners when they procure with grants from Diakonia. Partners may use their own procedures and rules if considered meeting Diakonia standards. Diakonia should assist partner organisations regarding procurement guidelines in case they have no rules. This can be done by developing own guidelines, or helping partners to apply Diakonia's. Partners must document the procurement processes so they can be followed up in reports and audits.

The procurement guidelines are tools that give guidance when buying goods or services. When using the guidelines they also serve as a form of "protection" or insurance for avoiding unethical or corrupt actions when negotiating or buying things from different suppliers. The rules are also to help the procuring employee in the comparison of different quotes from suppliers.

Procure at least every 7 years to avoid having the same providers too long and achieve competition. The main focus for all procurement in Diakonia is to get **best value for money!** Changing provider can improve quality of service, and not least to get new view and perspective on important issues.

If you need an overview of the different steps and procedures for a procurement process you can look at Annex 1 for help and tips.

Applicability

These guidelines apply for procurement when using Diakonia funds for goods, work services, consultants and services. How to proceed depends on the value of the item you buy. The guidelines provides help for Diakonia staff and partners to make sure that procurements are as transparent, just, caring of the environment and cost efficient as possible. All providers shall meet Diakonia's principles of procurement and additionally for consultants apply Diakonia's Code of Conduct.

For all procurements (with the exception of Direct Procurement for **Goods (max value SEK 10 000)**) a Procurement Decision shall be filled out. It shall contain motivation to why a certain method is used both regarding the amount and the content of an assignment or purchase.

Diakonia regulations meet Swedish procurement law (including Sida Procurement Guidelines), and are defined to a value up to purchases for 2 million Swedish crowns (SEK). In case of procurement for values exceeding 2 million SEK, contact HO. Regarding rules for procurement for contracts signed with a Back-donor other than Sida; please check the contract between the Back-donor and Diakonia regarding procurement requirements. Diakonia's rules are always to be considered minimum standard in all cases so if Diakonia's guidelines are more far going they shall be applied.

Proceedings and rules differ according to the value of the item being bought, and are defined according to the value range (threshold values). Diakonia has *identified four categories of value thresholds as well* as the proceedings that follow each threshold.

1. Direct procurement to be used in value ranges of SEK 10 000 for goods and work services, and with special motivation up to SEK 50 000 for consultancies
2. Simplified Tendering is used when Diakonia need to explore market and compare a minimum of 3 tenders (SEK 10 001 – 300 000 for goods and work services, and SEK 50 001 - 300 000 for consultancies)

3. Single Source Procurement to be used in exceptions with special motivation (SEK 10 001 - 100 000 for goods and work services, and SEK 50 001 - 300 000 for consultancies)
4. Selective Tendering is used for larger purchases or work services and evaluations, and requires a formal process (SEK 300 001 – 2 000 000 for goods and work services, and SEK 300 001 – 2 000 000 for consultancies).

Diakonia's procurement principles

Introduction

Procurements for all goods and services in Diakonia shall follow good business and ethical practices. Another important element to bear in mind when Diakonia is buying is the environment, and here the [Diakonia Environmental Guidelines](#) are helpful. Anti-corruption aspects are of course also an important principle in procurements, as in all Diakonia work.

Good business practise

To follow this, procurements within Diakonia shall:

- Use competition; make sure you change suppliers at least every 7 years. Use different auditors, consultants or services and procure or pre-qualify at least every 7 years.
- Look for Best value for money. The cheapest alternative might not always be the best. Document your assessment and decision.
- Treat suppliers with objectivity. Remain free from all conflicts of interests e.g. not dealing with companies owned by an employee, his/her family or other relatives
- Make sure local laws and regulations are followed, bearing in mind that Diakonia regulations are minimum requirements for procurements
- When applying rules set up by other back-donors, Diakonia regulations are always minimum standard and apply if they are stricter
- Be free of corruption or suspicion thereof
- Always make sure that goods and services procured for are produced without any violation of Human Rights, may it be e.g. ILO-conventions, Convention of the Rights of the Child or other. When possible Fair Trade products shall be chosen.

Environmental protection

- Make sure procurements are in line with environmental sustainable goals and follow Diakonia Environmental Guidelines. When possible ecological products shall be chosen.

Good ethics within Diakonia

- Employee conduct should be free of conflict of interests.
- Nobody should solicit or accept, directly or indirectly, any gift, favour, entertainment, loan or anything of monetary value from suppliers or potential suppliers. The only exception to this rule is inexpensive public relation gifts and tokens of gratitude.
- Tenders shall not be solicited from or contract awarded to any company that is owned, controlled or actively influenced by any Diakonia employee or an immediate relative to an employee.
- If a supplier participates in developing or drafting specifications, these must be kept as generic as possible in order to avoid unfair advantage for the supplier who assisted in their preparation.

Good ethics at suppliers and consultants

- Be legalised or registered in the country where they operate (not applicable for consultants).
- Pay taxes or at least have book keeping that is checked on an annual basis by auditors, and pay other costs related to personnel, for example social security (applicable also for consultants).
- Have good service records.
- Treat and respect employee well according to conventions and legislation, e.g. no discrimination because of gender, sicknesses etc.
- Produce as environmentally friendly as possible.

- If asked suppliers or consultants shall be able to provide documentation that all of the above is met.

Definitions, Terminology and Procedures

Threshold values and Procurement procedures

| Goods and work services | Consultancies and services |
|---|--|
| 1. Direct Procurement < SEK 10 000 No procedure. | 1. Direct procurement <SEK 50 000 for short consultancies |
| This procedure can be used for small purchases. Local thresholds according to local context may apply but not to be exceeded this amount. No procedure is needed It is not allowed to break down assignment in several contracts. | This procedure to be used for a quick and not extensive assignment Local thresholds according to local context may apply but not to be exceeded this amount. A decision by Regional Management Team/Head of Department for Head Office is required and procedure is described below. It is not allowed to break down assignment in several contracts. |
| 2. SEK 10 001– 300 000 Simplified Tendering | 2. SEK 50 001 – 300 000 Simplified Tendering |
| To be used when you need to explore and compare a minimum of 3 tenders | To be used when you need to explore and compare a minimum of 3 tenders |
| 3. SEK 10 001 – 100 000 Single Source procurement | 3. SEK 50 001 – 300 000 Single Source Procurement |
| This procedure can be used for procurements within this value range where special work skills or products are needed. Motivate why this method is used instead of Simplified Tendering in a Procurement Decision, signed by a member of the RMT and for Head office the Head of Department decides | This procedure can be used in larger assignments within this value range where special skills are required. Motivate why this method is used instead of Simplified Tendering in a Procurement Decision, signed by a member of the RMT and for Head office the Head of Department decides |
| 4. SEK 300 001 – 2 000 000 Selective Tendering | 4. SEK 300 001 – 2 000 000 Selective Tendering |
| Selective Tendering is a formal procedure, including the preparation of a complete set of tender documents according to Diakonia guidelines and the use of formal opening procedure. Decisions: In Region: Regional Manager At Head Office: Deputy General Secretary | Selective Tendering is a formal procedure, including the preparation of a complete set of tender documents according to Diakonia guidelines and the use of a formal opening procedure. Decisions: In Region: Regional Manager At Head Office: Deputy General Secretary |
| > 2 000 000 Open Tendering | > 2 000 000 Open Tendering |
| Contact Deputy General Secretary at HO | Contact Deputy General Secretary at HO |

Direct procurement

Direct procurement may be used when procuring for a low value of goods or consultancies. The maximum value for goods and work services for this procedure is 10 000 SEK. It is recommended to change supplier at least every 7 years to ensure competition. For consultancies and services the maximum value is 50 000 SEK. The values are based on Swedish context and local thresholds according to local context may be applied but may not exceed these amounts.

The **procedure for goods and work services:**

- Direct invitation
- An invoice is needed for goods and work services.

The **procedure for consultancies:**

- Direct invitation to a **pre-approved consultant**
- Describe the assignment shortly and motivate in a Procurement Decision
- Terms of reference. For tips [see chapter 5.13 in the PME Handbook](#).
- Decision shall be taken
- in the Region by staff member of the Regional Management Team, and at Head Office by a Head of Department. (Can be delegated by Regional Manager to other)
- Contract

It is not allowed to break down an assignment in several contracts.

Pre-approval of consultants

When there is a need for a quick and not extensive assignment it is possible to use pre-approved consultants. Pre-approval of consultants is a list of consultants who have expert skills, special knowledge or methods valuable for a specific programme can travel in geographical areas where operations are, knowledge of local languages, available on short notice, etc.

A pre-approved consultant can be used in short consultancies not exceeding the value of SEK 50.000 and in the Region a member of the Regional Management Team (can be delegated by Regional Manager to other) and at Head Office a Head of Department shall approve of the use of a pre-approved consultant.

Simplified Tendering

Simplified Tendering is a procedure where prospective tenderers are invited by direct invitation in writing and the formal requirements of the procurement process are less strictly set compared to procedures for Selective Tendering. It may be used when the value range is SEK 10 001 – SEK 300 000 for goods or 50 001 – SEK 300 000 for consultancies.

The Simplified Tendering should be used in cases where procurement is carried out for readily available off the shelf items or products and services of similar nature. Example: office supplies, spare parts, maintenance and services for vehicles, machines, studies or evaluations etc.

The list of pre-qualification can also be used when you need to explore and compare a minimum of 3 tenders for competition needs and value. It is however possible to include pre-qualification assessment in the evaluation process of tenders.

- Minimum 3 tenders: pre-qualified suppliers or consultants can be invited
- No public invitation is needed, but make sure tenders meet Diakonia's principles of procurement.
- Written invitation through email.
- Best Value criteria, meaning focusing on qualitative aspects.
- The Terms of Reference will determine the outcome of the selection of tenders. For more help on evaluation and selection see annex 2.
- A simplified Procurement committee consisting of two staff members evaluate and recommend a selection for tender.
- Procurement Decision in the Region shall be signed by a member of the RMT and at HO it is signed by a Head of Department.
- Contracts - for consultancies use [Diakonia Contract for Consultancies, found in PME handbook, Chapter 2.9.5](#). For other procurements, use supplier's contracts.

Single source procurement

Diakonia have a long-term commitment in operations and works in different contexts and realities. This means that, in many cases, there are consultants and/or suppliers that have special capacities, skills or merchandise that are necessary for operations. Therefore Single source procurement for goods or consultant services may be used in exceptional cases instead of Simplified Tendering when the value is in the range of; SEK 10 001 - 100 000 for goods and SEK 50 001 -300 000 for consultancies. The procedure:

- Describe the assignment and motivate why this method is used in a Procurement Decision, signed by a member of the RMT.
- **A pre-qualified supplier or consultant** can be selected directly and asked to draw up a technical/methodological and financial proposal, based on the Terms of reference.
- Suppliers or Consultants must meet Diakonia's Principles of procurement.
- Consultants need to follow Diakonia's Code of Conduct during the assignment.
- Terms of Reference are needed to specify what products to buy or the specific outcomes of a consultancy. For tips see annex 1 and 2.
- A simplified Procurement committee consisting of two staff members evaluate and recommend a selection of tender.
- The decision in the region is taken by a member of the Regional Management Team, and at Head Office the decision is taken by a Head of Department

The motivation to use Single source procurement **must be documented in a written Procurement decision and signed by the authorised staff member in Diakonia or the responsible staff member in a partner organisation** In case of uncertainties always consult with a manager. Partners may consult Diakonia locally.

Single source procurement may also be justified in following cases even when the threshold level is exceeded:

- A product or a consultant services can only be provided by a single firm because of exclusive capabilities, exceptional worth for the assignment or proprietary rights.
- Extension of an existing contract awarded in accordance with Selective Tendering.
- For goods or work services of a similar nature when it is clearly economic and efficient, and where no advantage would be obtained by further competition.
- For consultant contract, the amendment contract's maximum value shall not exceed 50% of the original contract.
- Standardisation with existing equipment is important and justified, and compatible goods can't be provided by other suppliers In an extreme not foreseeable urgency

Pre-qualification of supplier or consultants

Pre-qualified suppliers can be used in larger assignments within this value range where special skills are required. Example can be evaluations and studies where special skills are needed, forensic audits, work services as for instance computer services. Pre-qualification of suppliers or consultants is a list based on assessments of possible suppliers or consultants to use when Diakonia needs to procure for a certain need. All providers in this list shall meet Diakonia's Procurement Guidelines. The list needs to be revised from time to time, and shall be kept in each office. The pre-qualification is approved in the Region by a member of Regional Management team and at Head Office by Head of Department.

Pre-qualification assessment may involve:

For Goods and work services:

- Meeting Diakonia's procurement principles
- Proven good experience in respective field
- Products provided, technical knowhow, service records, special skills, or other

For Consultancies and Services:

- Meeting Diakonia's procurement principles
- Necessary professional, technical/methodology and organisational capacity
- Proven experience, including the satisfactory completion of similar contracts

It may be appropriate to ask for documentation regarding fulfilment of the requirements from both kinds of providers and to add that to the documentation.

Selective Tendering

Selective Tendering is a formal procedure, including the preparation of a complete set of tender documents and the use of a formal opening procedure. In Diakonia this procedure is mostly used for large evaluations or studies requiring international teams. The tenderers may be preselected suppliers and consultants and may be invited in writing by a direct invitation. However you may, (not obligatory) also place invitations in newspapers or on the Diakonia web site. A tender from a firm or consultant who is not preselected shall be treated in the same way as a tender from an invited firm. The Selective Tendering procedures are to be used for procurements in the value range of 300 001– 2 000 000 SEK.

- Minimum 3 tenders
- Use of formal invitation letter. See Annex 3 for help and example.
- Invitation may be published in newspapers locally, or on the Diakonia web site.
- Terms of Reference shall include evaluation criteria, focusing on qualitative aspects and methodology. Consultation with the Back-donor on the ToR might be needed. For more help on evaluation and selection see annex 2
- Formal procedure is required, including assessment of tenderers qualification, time frames for preparation, and submission of tender as well for Diakonia to evaluate and decide. Normally a time-frame of 30 days for all parts involved. Independently if tenders are awarded or not a notification to all tenderers shall be sent out.
- In the formal procedure it is important to make sure that all tenders are to be kept confidential and shall be opened at the same time and place. Two staff members (manager and a member of procurement committee) shall open tenders together and the tenderers have a right to be present, if they so wish.
- A Procurement committee consisting of 3 staff members shall evaluate tenders and recommend a decision.
- Decision Protocol in the Region shall be signed by Regional Manager and at HO by Deputy General Secretary.
- For Consultancies [the Contract for consultant, PME Handbook Chapter 2.9.5](#) shall be used.

Terms of Reference

The Terms of Reference is the definition of the procurement need. For help consult the [PME handbook, Chapter 5.13](#). It is advised to work through your Terms of Reference thoroughly because it will help setting up criteria for tender selection. Focus on quality rather than price.

Valuation

The valuation is an estimate of the budget for the tender based on the Terms of Reference. The valuation will be an input in the selection process, but shall not be part of an invitation to tender/tenderers. It is not recommended to inform about Diakonia's budget space when inviting tenders. However the price is always important as comparison tool in the evaluation of tenders, but shall only be mentioned as "price" and not a specific amount in your invitation to tender.

Procurement Committee

The Procurement Committee serves the purpose of making sure procurements are being made as transparent as possible, which is in line with Diakonia's anti-corruption guidelines. The committee goes through the tenders and evaluates them according to the set up criteria based on the Terms of Reference. For Single Source Procurement and Simplified Tendering the evaluation and selection recommendation is made up by a committee of two staff members (Simplified Procurement Committee). For Selective Tendering a committee of 3 staff members is set up for the same purpose.

Procurement Decision

Decision form signed by the personnel authorized to make a decision to award tender. The form shall contain necessary information and the motivation for the selection. The format to use is found in Annex 4.

Contracts:

Contracts for Goods and work services:

An invoice (see Administrative handbook for requirements, Chapter 7.1 Invoices) from a supplier is usually enough but in some cases, f.i. when procuring for large quantities or expensive material a more specific contract could be useful. A more detailed contract can also be recommended when procuring for work services.

A supplier will normally provide an acceptable sales contract. Such a contract may be revised and negotiated regarding formalities that Diakonia regards important before signing:

- **Payment conditions:** Diakonia uses net payment per 30 days after delivery and receipt of approved invoice. If the invoice is incomplete and extra time has been used in processing the invoice a charge from the supplier for late payment will not be accepted. It can be difficult to get this term, but Diakonia needs to ensure invoices are legal. (See also Procurement Principles)
- **Guarantees/warranties**
- **Other:**
 - References to any additional agreement f. example services or complaints.
 - It can also be advisable to include a paragraph on how to terminate a contract, for instance when procuring for emergency supplies.
 - Declare that no conflict of interests exists before signing contract may be advisable

For consultancies:

Contract for Consult in the [PME handbook Chapter2.9.5 shall](#) be used. The Diakonia Code of Conduct is applicable to consultants during the assignment and shall be attached to the contract.

Invoice – requirements

Administrative handbook by Finance department, Chapter 7.1 Invoices

Exemptions to some of the procurement rules

At times the situation in a country where Diakonia and our partners are working is very difficult. This can be due to conflicts or natural disasters, or in post war situations where no formal state structure functions or exists. Under such circumstances exemptions to the guiding principles and guidelines can be made. In the Regions it is the Regional Manager and at HO it is the Deputy General Secretary who takes decisions on exemptions. All exemptions shall be documented in writing and well-motivated in the Procurement Decision. In case of uncertainties always consult Regional Management Team in the Region and for Head Office, the Deputy General Secretary.

Examples of general exemptions

- Exemptions can be made in such cases where the Diakonia contribution (in consortium etc.) is very small regarding to the total project budget.
- In cases where Diakonia is participating in an international alliance, consortium or network that in itself has documented procurement rules, these rules can be followed. The procurement rules shall be described as part of the agreement between Diakonia and the partner in question, or in a separate document where Diakonia describe the terms for procurement in this case.
- The same procedure shall be used in cooperation with the European Commission

Exemption from rule of minimum 3 tenders

- In emergency situations an exemption to the rule of having tenders from a minimum of three suppliers may be permitted, and such decisions should be documented. The fact that goods can be made available at once has higher priority than possible additional costs. If lives can be saved by e.g. buying food locally this is more important than looking for the lowest available price in other parts of the country or in the region. Regarding Humanitarian work during other phases then the acute emergency other aspects are added and procurements have then to comply with HAP rules.
- In situations where it is impossible to find 3 suppliers carrying a needed product. Diakonia works in difficult environments, where the situations at times make it impossible to find 3 suppliers. It is however always important in such a situation to try to find as many suppliers as possible.

Example of exemption for the rule of Good business practice

- Restriction of the rule of good business practice can be motivated due to a trade embargo recommended by the UN.
- Another reason for not having to accept the lowest tender can be if the provider has broken commercial costumes or rules, and by contracting this provider Diakonia could harm its relationship with Back-donors or other important stakeholder.

Exemption in case of problematic or irregular situation of fundamental value

- Cases like this shall be brought up to the Management Team at Head Office for discussion and gaining of approval. Such a case needs to be well documented. Usually this type of exemption has to do with political statements, and therefore it is important to involve Head Office in the issue. Example of this: problematic political or social situation in a country that affects Diakonia procurements.

For the Office in Palestine/Israel this section needs to be elaborated. Help will be required by Regional Office administration and IHL Legal Researchers. According to Sida Jerusalem the procurements rules are strict. Do not allow any discrimination (positive or negative) against suppliers in this conflict situation.