

Procurement Policy

ActionAid Denmark (AADK)

Policy Information

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1. Introduction

The Procurement Policy introduces AADK's approach to procurement and is based on donor requirements and international best practices. The Policy aims to implement appropriate procedures in all procurement activities carried out by AADK and its partners to ensure that funds are spent responsibly and honestly for the benefit of our beneficiaries and in trust of our donors and supporters.

Definition of procurement

In this Policy, procurement is defined as the process of acquiring goods, services and works. The procurement process covers the purchase or rental of the required resources from external sources, including all stages in the process from defining the needs and specifying the requirements, evaluating bids and tenders, to selecting suppliers, negotiating and awarding the contract, setting key performance measures and managing risks, ensuring the delivery of and receipt of the resources, and finally review and learning. Partnership selection and partnership contracting are not covered by this policy.

2. Principles

The following principles shall apply to all procurement activities carried out by AADK:

Strategically relevant – Our procurement will support the delivery of our strategic objectives.

Timeliness – Our procurement processes will be properly planned to ensure that goods, services and works are delivered at the required time and place.

Transparency – We will be open about our procurement requirements, our selection criteria and our processes.

Risk management – We will consider totality of risks relating to any procurement exercise, beyond just financial cost, and ensure that these are managed effectively.

Value for money – We will ensure that the quality of goods, services and works that we procure are sufficient but not excessive for their intended purpose, i.e. not necessarily the cheapest option, but also not the luxury option that exceeds our requirements at unnecessary expense, constituting 'value for money'.

Proportionality – We will ensure that the costs of carrying out a procurement exercise do not outweigh the benefits to be achieved, and we will invest the greatest effort where the risk is greatest.

Equality and fairness – We will treat all qualifying suppliers for contract opportunities equally and fairly providing the same information and applying the same selection criteria. We will treat suppliers with dignity and respect.

Social and environmental sustainability – We will live up to our values in all procurement and we will aim to support an environmental and social impact when we select our suppliers in accordance with the AADK Climate Policy.

Integrity – We will procure ethically, in accordance with our values and the ActionAid International (AAI) Code of Conduct and the AADK Anti-Corruption and Whistleblowing Policy.

Audit trail – We will keep clearly documented records of all contract procurement.

3. Policies

3.1 Procurement Thresholds

The following thresholds determine the standard procurement process applicable and applies to all suppliers of goods, services¹ and works:

Total Contract Value*	Procurement Process
0 – 49.999 DKK	<p>Simple Procedure Collection of simple quotes.</p> <p>Except for hiring external personnel and consultants, it is not required that a contract is signed for purchases from suppliers that are below 15.000 DKK. Where purchases represent repetitive or ongoing purchases that are likely to exceed 50.000 DKK, a contract must be written and registered in order to be able to allocate and track funds contracted.</p> <p>A receipt or an invoice is required for any procurement payment and must be approved and registered.</p>
50.000 – 399.999 DKK	<p>Negotiated Procedure Request for Quotation (RFQ) / Request for Proposal (RFP) in response to clearly specified requirements – minimum 3 quotations/proposals.</p> <p>Mandatory supplier screening.</p>
400.000 – 999.999 DKK	<p>Open Tender Procedure Any procurement commitment of 400.000 DKK or more requires that the opportunity is publicly advertised. The Tender Package is a set of documents and formats that form a standard core through which tenders are managed in order to maintain quality, ensure consistency and familiarity for staff and suppliers.</p> <p>Mandatory supplier screening and risk analysis and mitigation plan.</p>
1.000.000 DKK or more	<p>Open International Tender Procedure Like Open Tender Procedure but must be advertised internationally.</p>
<p>*Total Contract Value means the total price of the goods, services or works during the lifetime of the contract exclusive of VAT.</p> <p>A procurement need cannot be divided into separate commitments and contracts over time to avoid entering into a procedure for a higher procurement threshold. Therefore, care must always be taken to foresee if a procurement need could turn out to be ongoing. In such case a multi-year reduced rate contract should be negotiated which can also lead to significant savings. Care should on the other hand be taken to avoid committing AADK to on-going costs for goods, services or works which may no longer be required in future years.</p>	

¹ A Service Contract is a contract for the provision of a non-product defined service like e.g. contracts for external personnel/consultants, the transportation of goods from site A to site B or the rental of a vehicle with a driver.

3.2 Procurement Processes

Roles and Responsibilities:

Segregation of duties – No single person should be empowered to control all stages of a procurement process.

Individual accountability – There must be a clear accountability for the management and delivery of a procurement throughout its lifetime.

Procurement Committee – For all Tender Procedure and high-risk procurements decisions must be managed through a Procurement Committee and must undergo review and reflection to build learning and best practices.

3.3 Use of Preferred Supplier Pools

In some cases, AADK may establish a more efficient process for Simple Procedure and Negotiated Procedure by selecting and pre-approving suppliers by placement in a pool which has a length of 3 fiscal years. During the time of inclusion in the pool, as work becomes available, bid requirements will only be sent to members of the pool to bid on work offered, and if the bid is successful a Terms of Reference for work will be written, and for that bid only. Supplier must agree to be included in a pool and a framework agreement may be established if applicable.

3.4 Permitted Exceptions to the Standard Process (Derogations)

The following circumstances may give rise to permitted exceptions (derogations) to the standard procedures for Supplier and External Personnel/Consultants contracts:

- a) Where, in case of extreme urgency brought about by events which could not have been foreseen and which are not attributable to delays caused by the purchasing staff themselves, the timescales necessary to complete the mandated procurement process will wholly or substantially negate the benefit being procured.
- b) Where the procurement is being funded by a grant or contract, and the procurement requirements set out in that grant or contract agreement require a derogation from the standard procedures, as funded contract or grant procedures take precedence.
- c) Where the goods, services or works required are provided by a monopoly for which there is no viable alternative supplier or solution.
- d) Where the opportunity has been advertised but the number of firms or individuals which have expressed an interest and are qualified to supply the requirement is less than the minimum number required under the standard procedures, the procurement may proceed with just that/those firm(s) who have expressed an interest and are qualified to supply the requirement.
- e) Where the standard procurement process has been unsuccessful through no fault of the purchasing staff.
- f) Where a special event or activity create unusual circumstances that precludes use of the usual procurement process. Use of this exception must be decided on a case-by-case basis, supported by a detailed argument, in collaboration with the requesting department.

All exceptions to the standard procurement process must be documented in a separate written derogation argument and approved by the relevant Cluster Director (or the Secretary General in the absence of the Cluster Director). When the Operations Cluster seeks the derogation, it must be approved by the Secretary General. For Tender Procedure and high-risk procurement exceptions must be approved by the Procurement Committee.

3.5 Scheme of Delegations

The Scheme of Delegations is a list of management in AADK who are authorized to sign off contracts, based upon the contract amount. This list must be followed in all cases of contracting for AADK.

3.6 Ethical Conduct and Supplier Screening

Ethical and sustainability screening must be carried out on any supplier with whom AADK enters into a contract of 50.000 DKK or more in a financial year. The supplier must commit to upholding these standards in the supplier contract or they will need to be inserted specifically when using non-AADK template contracts.

The supplier screening is done as part of the vetting process carried out by the Procurement Lead supported by the Compliance Manager, and investigates the supplier's background, values, and practices, to assure that their actions or values do not conflict with those of AADK.

This vetting process covers compliance towards the promotion and protection of human rights, credit rating and open source investigations for adverse media attention which could affect AADK's reputation. It must also be assured that the supplier is not listed on any terrorist financing list. The result is recorded on the Supplier Register.

When a supplier's background, values, and/or practices do conflict with AADK values and activities, we will put in place a risk mitigation plan or an influencing strategy if the supplier's score is significantly higher (e.g. concerning delivery capacity and solidity) than the other suppliers, or if the supplier is unique on the market, or we will ultimately not contract with that supplier. This is done to protect AADK's own reputation, and not bring the organization into potential conflicts which could damage our mission or activities.

3.7 Conflicts of Interest

It is a requirement that any AADK employee, officer, or Board member report to HR and the Compliance Manager any personal, familial, or business relationship that they may have with any supplier with whom AADK does business, as this may constitute a conflict of interest. Upon such reporting, a review will be carried out to determine if the issue can be resolved without changing the relationship with the supplier (moving contract ownership to a non-related person with AADK, for example), but if unresolvable, this may lead to the contract with the supplier being cancelled.

This conflict of interest is also recorded in a registry as well as remedial actions are taken. This is necessary to maintain a transparent and accountable position in all AADK business dealings.

Additionally, as a member of AADK staff, you will on occasion receive gifts from suppliers as part of their advertising or as part of soliciting business with AADK or you may be treated to hospitality such as meals or events. You will need to record significant offers of personal gifts and hospitality from third parties (suppliers, potential suppliers, and external partners) received in the course of work on the AADK Gifts and Hospitality Register as means of being transparent in our dealings with suppliers and avoiding conflicts of interest.

The rules of acceptance of gifts and/or hospitality from (potential) suppliers are as follows:

- Insignificant gifts and hospitality may be accepted and do not need to be recorded. Examples of such gifts and hospitality are inexpensive merchandise, two-three bottles of wine, meals and invitation for smaller events.
- Significant gifts and hospitality that you feel you need to accept in the good spirit of cooperation or of cultural respect, must be recorded on the register. Significant would be

something that you consider out of the ordinary like for example a three-course dinner including beverages and entertainment, a Christmas gift basket, bigger events or a half-day exotic sightseeing tour.

- Inappropriate gifts and hospitality must be declined and recorded on the Register. Those are not limited to being expensive but also cover such that would cause embarrassment to ActionAid like engaging in behavior that contradict our values or policies. Inappropriate offers might need to be escalated or reported to whistleblowing@ms.dk.

Cash should never be accepted, irrespective of the value. Details should still be recorded on the Gifts and Hospitality Register, however.

3.8 Complaints Mechanism

Suppliers who do not feel that they have been treated fairly should be advised to set out their complaint, in writing firstly, to Finance. If Finance is unable to resolve the complaint to the satisfaction of the supplier, Finance may escalate the complaint to the Procurement Committee for final resolution.

3.9 Legislative and donor requirements

Apart from this policy, AADK must always follow donor procurement rules and applicable legislation, where they exist. Thus, where thresholds for different procedures differ, the lower threshold must always be followed. In the unlikely event of a direct contradiction between different requirements, legislation takes precedence over donor rules, which in turn takes precedence over this policy.

This policy has been drafted to comply with Danish legislation on the field and with requirements from AADK's most important donors and will be amended accordingly. The Danish Purchase Act (Købeloven) applies for this policy.

3.10 Procurement by Partners

Partners should directly procure all elements within the scope of their MoU or Partnership Agreement, which must always honor the overall principles set out in this policy and comply with applicable legislative and donor requirements. Where the procurement risk is high and partner capacity is too low to manage this effectively, then AADK must retain a role, either leading or supporting the process. Where procurement is a significant part of partner resources, AADK must invest in building partner procurement capacity to assume greater responsibility in future procurements if required.

4. Policy implementation, evaluation and review

The Compliance Manager is responsible for implementation and review of this policy. The policy is evaluated yearly by the Leadership Team.