



Nordic Development Fund

Rules for Institutional Procurement

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NDF Rules for Internal Procurement

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Contents

1 INTRODUCTION.....	4
2 PROCUREMENT PRINCIPLES.....	4
3 APPLICABILITY.....	5
4 PROCUREMENT THRESHOLDS	5
5 SUPPLIER DUE DILIGENCE.....	6
5.1 Financial and integrity due diligence	6
5.2 Sustainability due diligence	6
6 PROCUREMENT CONSIDERATIONS	7
6.1 Staff member responsibilities	7
6.2 IT procurements and security assessment	7
6.3 Reassessment of ongoing services	7
7 COMPETITIVE TENDERING.....	8
7.1 Main rules	8
7.2 Evaluation team	8
7.3 Selection process.....	9
8 DIRECT ENGAGEMENT	9
8.1 Main rules	9
8.2 Justified reasons	9
9 CONTRACT PRINCIPLES, REVIEW AND MANAGEMENT	10
10 RECORD KEEPING.....	10
11 JOINT PROCUREMENT	11
12 COMPLAINTS.....	11

1 INTRODUCTION

As an international governmental organisation, NDF is not subject to national laws or procedures on public procurement. Instead, NDF's procurement for its own use is regulated by these Rules for Institutional Procurement ("Rules").

For all clarity, when NDF engages in co-financed activities / projects not managed by NDF, the leading partner agency's procurement rules will prevail and be used by the implementing agency or entity, subject to NDF being satisfied that those rules are fair and transparent, generally in line with the key principles of these Rules and good international practice and that acceptable monitoring procedures are in place. Further details are agreed in the financing /other agreement(s) for the specific project.

These Rules set out the procedures and requirements for the procurement of goods and services for NDF's own use, such as professional services, equipment, data and IT solutions and services. These Rules shall also be followed for procurement in trust funds administered by NDF, as further specified in contractual and other documents applicable to the specific trust fund in question.

The purpose of these Rules is to establish good practice for procurement planning, supplier selection, contracting and supplier management. The Rules aim to ensure that the goods and services NDF procures are of high-quality, fit for NDF's needs and that NDF obtains optimal value for money. All procurements shall be the result of transparent and objective decision-making and proportionate risk management.

2 PROCUREMENT PRINCIPLES

In all procurement NDF applies the following principles:

- adopting a fair and transparent process;
- applying appropriate levels of competitive tendering;
- upholding the integrity of the process and ethical behaviour of all parties involved in the procurement;
- selecting the optimum goods or services for NDF with consideration of quality, fit for NDF's needs, optimal value for money and environmental, social and governance (ESG) factors
- applying proportionate risk management; and
- considering contractual safeguards

Aligned with the Code of Conduct for Staff, all staff members engaged in procurement activities shall act in a transparent and ethical manner and respect the principles of accountability and sound risk management.

Anyone involved in a procurement at NDF shall act impartially and objectively with NDF's best interest in mind and avoid situations where a potential conflict of interest could occur. If the objectiveness of the procurement process may be impacted due to an actual or perceived conflict of interest, the person concerned shall disclose the reasons for the conflict and withdraw from the procurement case at hand. The General Counsel shall be

consulted, should there be any questions or concerns regarding actual or perceived conflicts of interest.¹

Should the Managing Director have a conflict of interest with respect to a procurement, then the Managing Director shall pursuant to the applicable Code of Conduct recuse oneself from participating in the procurement and consult the General Counsel with respect to finding an appropriate solution to the case at hand.

Due to the institutional role, the General Counsel shall not participate in supplier selection concerning other than services related to legal, governance or integrity matters.

3 APPLICABILITY

These Rules are to be used for the procurement of all goods and services for NDF's internal use except in the following circumstances:

- 1) minor one-off purchases of **standard goods**² with a maximum value of EUR 5,000 per purchase and total annual estimated cumulative value not exceeding EUR 15,000;
- 2) recruitment or comparable resource engagements in the field of human resources;
- 3) rental or leasing of real estate, office spaces, and apartments; and/or;
- 4) taxis, hotels, accommodation and flights related to business travel, which shall be booked in accordance with the Travel Guidelines
- 5) hotels and meeting facilities for NDF's events and governing body meetings;
- 6) newspaper and magazine subscriptions;
- 7) professional certifications, memberships and educational programmes; and/or
- 8) utilities offered by municipalities, municipally owned companies or other regional monopoly suppliers (e.g. water, heating and cooling, distribution of electricity).
- 9) declared disaster recovery and crisis management situations.

4 PROCUREMENT THRESHOLDS

Goods and services can be procured through competitive tendering or direct engagement. As competitive tendering will in most cases lead to the best outcome in terms of pricing and quality, tendering shall as a main rule be used for procurements exceeding EUR 30,000.

The procurement types, applicable thresholds and required approvals are set out below:

General PROCUREMENT	Threshold, EUR	Approval
Direct engagement	15,000	Director*
Direct engagement when justified reasons exist)	15,000 – 30,000 > 30,000	Director* Managing Director
Competitive tendering	30,000 >30,000	Director * Managing Director

¹ For further information see Code of Conduct for Staff, Section 6.

² This exemption does not apply to services.

* For the purposes of these Rules the General Counsel is also considered Director

The procurement value is calculated based on the total estimated cumulative value of the procurement. If the contract period is unknown, the procurement value shall be calculated based on a period of five years. Procurements must not be artificially split into shorter repeated engagements for the purpose of circumventing these Rules.

The staff member responsible for the procurement must consider the total cost of ownership for the planned lifespan of procured goods and/or services. Total cost of ownership includes both direct and indirect costs of a procurement such as implementation, integration, operating (initial and recurring), development and replacement costs.

In procurements of an indicative value of at least EUR 50,000 and /or having a long-term impact on the activities of NDF, the Managing Director shall consult the Executive Management Committee prior to approving the procurement.

5 SUPPLIER DUE DILIGENCE

5.1 Financial and integrity due diligence

Aligned with the general principles of risk identification, risk assessment and risk treatment set out in the Risk Management Guidelines, the staff member responsible for the procurement shall conduct a risk-based supplier due diligence as part of the procurement process to avoid potential reputational and/or financial risks related to suppliers. Consequently, the scope and depth of the financial and integrity due diligence shall be risk based in proportion to the financial value, strategic importance and perceived reputational risk of the procurement. In general, and in alignment with the Integrity Due Diligence Guidelines, the due diligence typically contains a background check of the supplier's key data, such as sufficient details to identify entity (official entity name, entity registration number, country of incorporation and supporting documents), ownership structure, solvency/liquidity, turnover, revenue and profit/loss for the past three to five years (if available), sanctions, adverse media findings and possible existence of Politically Exposed Persons in the governance or among owners of the supplier. Special emphasis shall be placed on supplier due diligence in larger or long-term engagements.

For procurements where the outcome of the financial and integrity due diligence is negative, the supplier candidate cannot be engaged by NDF.

5.2 Sustainability due diligence

NDF favours sustainable solutions in its procurements and endeavours to assess environmental and social aspects considering the nature of the goods and/or services and the contract type.

As a general rule for other than consultancy services, the supplier candidates shall complete a Supplier Sustainability Questionnaire for new procurements with a total

cumulative value over EUR 15,000.³ The evaluation team shall consider the answers in the questionnaire and the sustainability impact when making the procurement decision.

Procurements that have a significant sustainability impact shall be submitted to the Risk Committee for review and input prior to final supplier selection.

For procurements where the sustainability impact is significant and the environmental and social assessment is negative, the supplier candidate cannot be engaged by NDF.

6 PROCUREMENT CONSIDERATIONS

6.1 Staff member responsibilities

Staff members may procure goods or services within their responsibility areas in accordance with these Rules. When being the owner of the individual procurement case, the staff members shall bear the responsibility for the whole procurement process including the supplier management relationship with the successful bidder.

The Staff member owning the procurement case at hand shall:

- 1) ensure that the planned procurement is budgeted for,
- 2) well in advance inform and engage relevant functions /colleagues to plan the whole procurement process starting from tendering and selection to contractual arrangements with the prospective/ chosen supplier,
- 3) conduct a market review to analyse the market offering and identify potential suppliers.
- 4) be responsible for the tendering documents used in the case
- 5) be responsible for the selection procedure,
- 6) obtain the procurement approval in accordance with the thresholds set out in Section 4 and file the approval as well as other relevant documents related to the procurement,
- 7) monitor the performance of the supplier and assess the related risks,
- 8) be responsible for the contractual relationship with the chosen supplier for the whole duration of the contract

When in doubt of how to act in accordance with the above, the Staff member shall consult the assigned NDF procurement expert and/ or the involved NDF lawyer for advice.

6.2 IT procurements and security assessment

Procurement of information technology products or services for NDF's specific own use is expected to be aligned with the principles of NDF's IT systems roadmap and to comply with the regulations set out in NIB's Staff Security and IT Use Guidelines. The procuring Staff member shall consult NIB's IT to find out among other things whether an information security risk assessment will be needed, which if applicable, is a prerequisite before final supplier selection and commencement of contract negotiations.

6.3 Reassessment of ongoing services

For long-term contracts, the Staff member shall, in consultation with the assigned NDF procurement expert, conduct a market review which includes the assessment of pricing

³ Questionnaire under preparation.

and availability of alternative suppliers and solutions (including possible re-tendering) at least every three years.

7 COMPETITIVE TENDERING

7.1 Main rules

As a main rule, NDF's procurements are conducted through competitive tendering and a Request for Proposal (RFP) shall, based on market analysis and reference checks, be submitted to at least three supplier candidates. In smaller procurements, the staff member, and relevant Director may decide to carry out a simplified tendering process and send the RFP to two supplier candidates only. NDF may, however, decide to resort to open tendering where open tendering is expected to bring advantages e.g. in the form of a wider and more diverse pool of supplier candidates. In general, applicants from any country shall be eligible to submit a response to an RFP unless otherwise specified or following from applicable sanctions or prohibitions pursuant to the Integrity Due Diligence Guidelines.

The Staff member responsible for the procurement at hand shall prepare a clearly defined scope and objective, and selection criteria for the RFP and send them to the assigned NDF procurement expert and the involved NDF lawyer for review. Thereafter, the staff member shall consult the aforementioned on the content of the RFP and the procurement process to help strike the right balance. Legal advice is typically needed for determination of what and how non-public data pertaining to NDF can or cannot be shared as part of the procurement process.

A critical part of any tender process will be the careful selection and weighting of criteria. The selection criteria may include the following:

- 1) supplier profile and stability;
- 2) cost competitiveness for the planned period of use;
- 3) qualitative aspects;
- 4) service coverage;
- 5) performance, capability, experience, references;
- 6) sustainability, environmental and social aspects
- 7) innovation and continuous process improvement;
- 8) methodology and project management; and/or
- 9) governance, ethical and integrity aspects.

The offers received from supplier candidates shall be treated as confidential and may not be shared with other supplier candidates.

7.2 Evaluation team

The offers shall be evaluated by an evaluation team consisting of at least three staff members with relevant knowledge of the procurement. In smaller procurements, the Staff member may seek approval for an evaluation team of two members by the relevant Director. Where feasible, the evaluation team should consist of staff with diverse backgrounds. The assigned NDF procurement expert may function as a member or as an observer in the evaluation team.

In complex, large-scale procurements the evaluation team may comprise a Steering Committee or similar formalised group established for the procurement. The evaluation team may also include other separately engaged resources (e.g. external consultants).

7.3 Selection process

The supplier selection shall be made in a neutral and transparent manner. The evaluation team must evaluate the received offers based on the pre-determined selection criteria and score and shortlist suitable supplier candidates. The evaluation team may arrange supplier meetings and presentations with the supplier candidates keeping in mind the equitable treatment of candidates.

Cost-effectiveness and quality shall weigh heavily in any selection process. The selection process shall also take due consideration to manage any pre-identified risks of the procurement and the supplier. NDF only partners with suppliers who act ethically and comply with applicable laws.

A conflict of interest or major red flags related to integrity and ethical aspects shall disqualify the supplier from the procurement process.

To obtain the most optimal contractual and commercial outcome, the supplier candidate(s) shall not be informed of any procurement decision before the successful completion of negotiations with the preferred candidate.

8 DIRECT ENGAGEMENT

8.1 Main rules

Direct engagement allows NDF to engage suppliers directly without competitive tendering. Direct engagement is allowed for procurements with a total cumulative value of up to EUR 15,000. The Staff member must obtain written approval⁴ for the direct engagement from the relevant Director. Even when the procurement is eligible for direct engagement, the staff member is always encouraged to request an offer from two – three suppliers to achieve the best value for money.

In case a supplier is directly engaged for a proof-of-concept, trial, or similar, justified reasons set out in Section 7.2 may not be used as a justification for further co-operation with the supplier without conducting a competitive tendering.

8.2 Justified reasons

Goods and services with a total cumulative value of over EUR 15,000 must be procured through competitive tendering. Direct engagement is exceptionally allowed if justified reasons exist and the cumulative value does not exceed EUR 30,000.

Even if justified reasons exist, the procuring Staff member is required to request offers from more than one supplier to ensure that NDF's procurement principles are met in terms of quality, time, and money. For transparency and appropriate pricing evaluations and justifications, the procuring Staff member shall also request an offer when there is only one suitable supplier and the indicative contract value exceeds EUR 15,000.

⁴ Signing of the contract by the relevant Director constitutes adequate approval.

Justified reasons for direct engagement include the following:

- 1) the nature of the goods or services require a certain supplier to be engaged (e.g. additional services/ goods where compatibility with what has been procured before is a necessity);
- 2) there is only one supplier capable of providing the goods or services to the required standard due to, e.g. unique attributes, or there is a need to obtain comparable results (e.g. staff surveys);
- 3) the supplier has been engaged before and can be directly engaged provided that the supplier:
 - (i) has proven to be efficient;
 - (ii) has demonstrated a capacity of supplying high-quality goods or services;
 - (iii) offers competitive prices and terms for the procurement; and
 - (iv) an equivalent advantage is not estimated to be gained by other means;
- 4) competitive tendering is not possible for confidentiality or sensitivity reasons (e.g. certain HR, legal, integrity or audit services); or
- 5) urgency caused by an unforeseeable event that is not attributable to the procuring function (failure to appropriately plan a procurement does not constitute urgency grounds for a direct engagement).

The Staff member must justify the direct engagement and procurement and the relevant Director, shall approve the justification, if required, in consultation with the assigned NDF procurement expert and/ or the involved NDF lawyer. The Staff member must obtain written direct engagement approval in accordance with the thresholds set out in Section 4 prior to engaging a supplier and record the approval on the files.

9 CONTRACT PRINCIPLES, REVIEW AND MANAGEMENT

The contract related to the procurement must be signed by two authorised NDF signatories and enter into force prior to the start of the engagement/delivery. To achieve a contractually and commercially optimal outcome for NDF, the Staff member must with adequate foresight consult the involved NDF lawyer. In complex, large-scale procurements the involved NDF lawyer shall be part of the full tendering procedure already at the RFP phase and take lead for legal strategy considerations (e.g. key legal terms needed as part of the RFP).

NDF's own templates and established documentation shall be used where possible.

Before sharing any non- public information of NDF, the Staff member shall ensure that a separate non-disclosure agreement (as determined by legal expertise) has been executed with the supplier candidate to protect NDF's confidential information.

10 RECORD KEEPING

Record keeping is of utmost importance for accounting and auditing purposes. All procurement related documentation (e.g. Requests for Information (RFIs), RFPs, offers, procurement approvals and final evaluation summary) shall be stored in NDF's electronic files by the Staff member responsible for the procurement. However, the colleague assigned to be responsible for the electronic archiving of all contracts shall be involved.

11 JOINT PROCUREMENT

NDF may conduct competitive tendering on a joint basis together with its associated organisations NIB and/ or NEFCO if there is a possibility to gain cost efficiencies or other benefits or synergies. In joint procurement, NDF and the involved parties shall decide the applicable rules and procedures for the procurement in advance. If justified reasons for direct engagement exist, NDF may also subscribe for services or goods already procured by NIB/ NEFCO under an existing contract. NDF, NIB/ NEFCO and the supplier shall agree on the terms applicable to NDF's participation.

12 COMPLAINTS

If a supplier candidate requests justification for NDF's procurement decision, a brief general explanation on the reasons for non-selection may be provided, without naming the selected supplier. Colleagues with procurement/ legal expertise must be consulted in responding to these requests.

Complaints regarding NDF's procurements must be made in writing to the Risk Committee.

A complaint will not automatically suspend a procurement, but the Risk Committee may recommend, and the Managing Director may decide to suspend the conclusion of the contract and commencement of services or purchase of goods until the complaint has been processed.