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June 2014

## Higher threshold for direct award of contracts

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The threshold below which a public authority may award contracts directly, i.e. procurements where there are no requirements tenders in a certain form, is to be raised from 1 July 2014. Direct award of contract' means a procurement without a requirement for tenders in a certain form.

The purpose of raising the threshold for direct award of contracts is to make public procurement more efficient by reducing transaction costs and by providing contracting authorities and entities with greater freedom. It is also thought that small and mid-sized companies will gain more opportunities to win contracts.

Under the new provisions, direct award of contracts pursuant to the Public Procurement Act (2007:1091) may be used where the value of the contract is no more than 28 per cent of the threshold value that applies to municipalities and health authorities, which currently amounts to SEK 1 806 427 , i.e. no higher than SEK **505 800**. Direct procurement under the Act on Procurement in the Water, Energy, Transport and Postal Services Sectors (2007:1092) and under the Act on Procurement in the Defence and Security Sector (2011:1029) is to be used if the value of the contract amounts to no more than 26 per cent of the threshold value that applies to the procurement of goods and services, which currently amounts to SEK 3 612 854, i.e. no more than SEK **939 342**. Public work contracts are covered by the same threshold values as for goods and services.

A contracting authority or entity which uses direct award of contracts must make a note of its reasons for doing so and anything else of significance to the procurement if the value of the contract exceeds SEK 100 000.

To ensure that the new rules on the higher threshold value for direct award of contracts are followed in the best way, all contracting authorities and entities are to adopt guidelines. The guidelines ought to state clearly, amongst other things, the criteria for when the contracting authority or authority or entity is to expose procurement to competition by advertising or by asking several suppliers and also state the person at the contracting authority or entity+ who has the authority to carry out direct procurements.

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The Government is proposing that the threshold values for direct award of contracts be evaluated when they have been in force for three years. This evaluation should cover how the transaction costs are impacted and how the thresholds for direct award of contracts have affected competition, not least of all small and mid-sized companies.

Please contact Delphi for further information on the new rules.



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