



PROCUREMENT POLICY FOR NATO COMMON FUNDING

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SCOPE

1. The Procurement Policy for NATO Common Funding, hereinafter referred to as “this Policy”, establishes the rules governing NATO procurement, as conducted by a NATO and/or national body procuring goods, works, and services using NATO common funding. This Policy applies to common funded procurement but it may also be used for procurements under other NATO funding arrangements, if so decided by the relevant governance bodies.
2. Implementing directives and procedures, guidelines or instructions by procurement authorities must ensure appropriate alignment with the provisions of this Policy.

PRINCIPLES

3. NATO procurement shall be in support of the Alliance’s goals and objectives and adhere to the following principles:
 - 3.1. **Performance and Delivery.** Procurement processes and activities shall enable the swift and timely delivery of goods, works, and services to meet requirements with the utmost performance standards, using available resources to achieve the most effective and economical solution;
 - 3.2. **Open and Fair Competition.** Goods, works, and services shall, whenever possible, be procured through an open and fair competitive bidding process, while ensuring the non-discrimination and equal treatment of eligible vendors, and a fair and reasonable price to NATO;
 - 3.3. **Transparency.** Procurement authorities shall ensure transparency in procurement activities at all stages, from planning to execution, and with solicitation documentation containing a clear description of customer needs and the applicable procurement procedure;
 - 3.4. **Good Governance.** Every aspect of the procurement process shall conform to the highest standards of integrity and accountability befitting good governance, ensuring value for money and the effective stewardship of public funds, with no tolerance for fraud and corruption;
 - 3.5. **Efficiency and Proportionality.** Procurement processes and activities should maximise efficiency and be proportional to the value of the procurement, whereby administrative costs and efforts are not excessive in relation to the desired objective.

INFORMATION MANAGEMENT, SECURITY AND DATA PROTECTION

4. Procurement authorities shall ensure that procurement activities are conducted in full compliance with NATO policies related to information management, security, and data protection¹. They shall also ensure that applied assessment criteria are aligned with guidance regarding Communication and Information Systems Security supply chain. Procurement authorities should make all efforts to keep the security classification of solicitation documentation to the lowest but appropriate possible level, still permitting an informed and qualified response by bidders. Documents that include information containing commercial proprietary information shall receive a “Commercial” administrative marking. Moreover, in line with the basic principles of the NATO Security Policy, any information of a commercially sensitive nature exchanged as part of procurement considerations and decisions shall only be disseminated on the basis of the need-to-know principle.
5. For the procurement of Consultation, Command and Control (C3) capabilities and Information and Communications Technology (ICT) services, procurement authorities must adhere to the Security by Design approach, integrating security considerations from the earliest stages of the procurement process and product lifecycle, including the design phase. This approach embeds robust security measures into the development and procurement of systems and services, fostering secure and resilient solutions capable of withstanding evolving threats. Early attention to security mitigates risks, maintains operational integrity, and safeguards the confidentiality, integrity, and availability of critical data. Adopting a Security by Design approach supports the successful accreditation of systems, as they align with required security standards and regulatory mandates, facilitating the

¹ C-M(2002)49-REV1; C-M(2002)60.

security assurance process. Vendors are expected to demonstrate their commitment to delivering solutions that meet stringent security requirements, effectively counter cyber threats, and comply with applicable regulations, thereby protecting NATO's infrastructure and operations throughout the product's lifecycle.

6. For the procurement of cryptographic systems, products and mechanisms, procurement authorities and governance must adhere to the applicable directive.

HUMAN SECURITY AND WOMEN, PEACE, AND SECURITY

7. NATO procurement activities are to be carried out in line with NATO's Human Security Approach in order to fulfil NATO's commitment to implement both the Human Security and the Women, Peace and Security Agendas². In addition, procurement activities are to comply with NATO's zero tolerance approach to all acts of sexual exploitation and abuse³.
8. NATO funds must not be used to support actions related to trafficking in human beings directly or indirectly. As such, procurement authorities will take steps to prevent and address trafficking in human beings in their procurement processes and through due diligence in supply chain management. NATO funded procurement will continue to incorporate contractual provisions that prohibit contractors and sub-contractors from engaging in, supporting and facilitating trafficking in human beings. NATO funded contracts will incorporate obligations for suppliers to remediate wrongdoing and procurement authorities will terminate contracts and, impose sanctions where suppliers fail to fulfil their obligations in this regard, as appropriate.
9. Procurement activities in support of Alliance Operations and Missions shall adhere to the specific guidance on preventing and responding to Conflict-Related Sexual Violence during the development of North Atlantic Council Initiating Directives for the operation or mission in question.⁴ As part of NATO's efforts in preventing, monitoring, reporting and responding to grave violations and other serious violations or abuses against children, procurement authorities are to ensure that procurement activities are informed by the Children and Armed Conflict (CAAC) Risk Assessment for the operation or mission in question and comply with the mandate on CAAC provided by the North Atlantic Council.

CLIMATE AND ENERGY SECURITY

10. Procurement authorities should, where relevant and to the extent possible, integrate aspects related to energy resilience and security of NATO assets and installations during procurement activities, including partnerships with industry, as a means to continue to adapt NATO capabilities to climate challenges, while ensuring military capability, effectiveness, and interoperability and alignment with extant policy.

ROLES AND RESPONSIBILITIES

NATO Resource Committees

11. The Resource Policy and Planning Board (RPPB), the Budget Committee (BC) and the Investment Committee (IC) represent the NATO Resource Committees, and serve as the governance authority over NATO common funded procurement. The BC and the IC shall make decisions on the procurement method in line with this Policy and their respective remit under the applicable processes and procedures and, for military common funded capabilities, in alignment with decisions on the acquisition strategy by the RPPB. Any exemptions from the procurement methods allowed under this Policy shall be approved by the BC and/or IC.

2 PO(2022)0429 (INV).

3 PO(2019)0459 (INV).

4 PO(2021)0190.

12. The BC and the IC will be responsible for monitoring the appropriate implementation of this Policy, as well as the overall effectiveness and efficiency of NATO procurement, and report any relevant issues to the RPPB. In order to fulfil this role, both Committees may request that procurement authorities provide relevant information through extant or future monitoring and reporting mechanisms, while ensuring commercially sensitive information is not disclosed. The BC and IC will issue further guidance to stakeholders, as required, in line with their respective remits.

Procurement Authorities

13. Procurement authorities are NATO and/or national bodies procuring goods, works, and services using NATO common funding. They include:
 - 13.1. Host Nations (Territorial Host Nations, NATO Agencies or Strategic Commands) responsible for implementing NSIP projects;
 - 13.2. User Nations responsible for implementing NSIP projects;
 - 13.3. NATO Budget Holders responsible for executing budgets under the Military and Civil Budgets; and
 - 13.4. NATO Agencies acting as procurement agents for NSIP projects or NATO Service Providers⁵ involved in the delivery of common funded capabilities.
14. Procurement authorities, in their capacity as customers on behalf of NATO, are responsible and accountable for the timely and efficient procurement of required goods, works, and services, ensuring the necessary coordination with the user. Procurement authorities must undertake comprehensive procurement planning as a critical step prior to initiating any procurement activity to align with NATO goals and objectives, resource plans, and organisational priorities. Procurement authorities shall determine the most suitable implementation and procedural modalities related to the procurement method, allowing reasonable time for vendors to respond to solicitations. They shall guarantee the transparency of internal decision-making, ensuring the whole procurement process is sufficiently and appropriately justified and documented for reporting and auditing purposes. In this vein, procurement authorities shall maintain relevant procurement documentation and records, including contractual and payment documentation for audits, in accordance with applicable policies.
15. Procurement authorities must ensure that staff involved in NATO procurement adhere to strict ethical standards, including confidentiality and impartiality. Any potential conflicts of interest or impropriety by staff or other parties shall be disclosed appropriately. In order to safeguard the integrity of the process, procurement authorities shall assure that procurement is performed by staff with appropriate qualifications and training. Procurement authorities must have in place internal controls to ensure compliance with this Policy, including for when activities are delegated to other entities. This must be reflected in their implementing directives and procedures. Any potential risks or liabilities to NATO must be duly mitigated by the procurement authorities.

Military User (Strategic Commands)

16. For military common funded capabilities, the timely definition of the operational requirements based on the needs of the military user is a key element in the procurement process and must ensure clarity of the desired effects, benefits and timelines. The further definition of the capability requirements may be supported by industry, in compliance with applicable procurement principles and capability delivery processes. Operational and capability requirements should be agnostic of specific final technical and/or commercial solutions.
17. The military user is a key player in the procurement process, from inception to conclusion, particularly when using an agile approach. The involvement of the military user should aim to enable faster delivery of fit-for-purpose solutions and should not duplicate other established roles and responsibilities. The procurement authority should represent the military user's interests throughout the procurement process and should keep the military user informed of the procurement's status. The military user must be kept apprised of the acceptance criteria specified in the contract by the procurement authority and support the procurement authority in assessing whether goods, works, and services have been provided to the contracted standard.

5 NATO Agencies acting as NATO Service Providers.

PROCUREMENT METHODS

18. The following paragraphs set out the procurement methods to be used by procurement authorities. The choice of a particular method should be reflective of the specific procurement objectives and should be in accordance with the financial thresholds set by this Policy at paragraph 27. A summary of the applicable procurement methods and financial thresholds is available at the table in Appendix 1. The procurement methods listed below provide a general description of the procurement provisions, as the basis for the specific implementation and procedural modalities to be determined by procurement authorities. For military common funded capabilities, the procurement method to be established under the remit of the BC and IC, must always be in line with the acquisition strategy approved by the RPPB. Procurement authorities may always propose additional procurement methods or adaptations thereof, for governance consideration and approval.

Procurement Methods for All Procurement Authorities

19. **NATO Competitive Procurement.** NATO Competitive Procurement is a procurement method that is open to all eligible vendors from participating nations. The procurement authority shall carry out a formal competitive bidding procedure in accordance with the Procedure for NATO Competitive Procurement at reference, and the principles of this Policy, ensuring the fair and equal treatment of all interested eligible vendors.
20. **Pre-competed Award.** Pre-competed Award is a procurement method that allows the procurement authority to make use of a valid framework agreement that was concluded as a result of a previous competitive bidding procedure that was open to all eligible vendors from participating nations. The award may either be directed to a single vendor or be the result of a competition between pre-selected vendors, as in the case of multiple-award framework agreements. The award must respect the terms and conditions of the original framework agreement, which must have been concluded within the last five years. For framework agreements that include an overall financial ceiling, any subsequent award placed under this framework agreement would be subject to that ceiling, as originally concluded.
21. **Limited Competition.** Limited Competition is a procurement method that allows the procurement authority to restrict the number of eligible vendors⁶. The procurement authority shall carry out a formal competitive bidding procedure in accordance with the principles of this Policy, ensuring the fair and equal treatment of all participating vendors. Limited Competition may be carried out using the Procedure for NATO Competitive Procurement at reference or national regulations. The procurement authority must clearly indicate the intended pool of vendors. Cases may include but are not limited to instances of prior approval by a NATO governance body (e.g. cryptographic equipment), geographic factors (e.g. vendors operating in a specific area related to a NATO operation or mission), the existence of pre-competed procurement vehicles, or framework agreements.
22. **Sole Source.** Sole source is a procurement method that allows the procurement authority to award a contract directly to a vendor without competition. Cases may include but are not limited to urgency, interoperability with existing capabilities, savings in cost and schedule, urgent obsolescence requirements, contract extensions, or one vendor considered capable of meeting requirements. Particularly, where the same requirement is to be implemented by either different procurement authorities or in different locations, due consideration should be given to the use of sole source to leverage the outcome of a previous competition for continuity, efficiency, risk mitigation, performance, industry expertise, and lifecycle cost aspects. In all cases, the procurement authority shall conduct negotiations with the identified vendor to ensure best value for NATO. The governance approval on the use of sole source is related to the procurement method and a specific vendor. Administrative changes related to the vendor, such as the established nation of origin within a participating nation, do not require an additional governance decision.
23. **National Competitive Bidding.** National Competitive Bidding is a procurement method that may be used by Territorial Host Nations and User Nations for NSIP-funded procurements. The procurement authority conducts a procurement procedure as laid down in the pertinent national laws and regulations. Eligible vendors must be from within the Territorial Host Nation or User Nation, but may

⁶ Similarly for when the selection is made between several potential solutions proposed by NATO nations as part of an 'Adopt' acquisition strategy.

include vendors from participating nations, noting that vendors from other than participating nations shall be excluded.

24. **National Competitive Bidding Plus.** National Competitive Bidding Plus is a procurement method that may be used by Territorial Host Nations and User Nations for NSIP-funded procurements. The procurement authority conducts a procurement procedure as laid down in the pertinent national laws and regulations, open on equal terms to all eligible vendors from all participating nations. All such procurements shall be publicly notified through the single NATO website for procurement opportunities or, until such a website becomes operational, notifications shall be published on the nation's official procurement website or, alternatively, shall be submitted, electronically, to the respective national delegations to NATO of the participating nations. The deadline for the receipt of bids/proposals shall be set in accordance with the national regulations.
25. **Pre-competed Infrastructure Bidding.** Pre-competed Infrastructure Bidding is a procurement method that may be used by Territorial Host Nations or User Nations for NSIP-funded civil works procurements. The procurement authority undertakes a competition with expedited timelines among vendors pre-selected as part of a competitive bidding procedure that was open to all eligible vendors from participating nations. The latter must have been concluded within five years preceding the date of contract award. This method can be used for projects for which the requirements are similar in nature and do not go beyond in complexity to those specified in the solicitation documentation of the original competition.
26. **Troop Labour.** Troop Labour is a procurement method that may be used by Territorial Host Nations and User Nations for NSIP-funded procurements. Troop Labour is applicable to civil works projects, whereby the works are performed by military personnel provided to NATO by the Territorial Host Nations or User Nations at their own cost, using purchased construction materials (e.g. gravel for road restoration). The Territorial Host Nation or User Nation may request, for governance approval, the use of authorised funds to cover the cost of civilian labour when specifically required for the performance of construction works pertaining to the project, in accordance with applicable national regulations. Any related employment liability or other long-term costs beyond the cost of labour pertaining to the project would be the responsibility of the Territorial Host Nation or User Nation implementing the project. NATO funded construction materials, as well as the lease of specialised machinery and equipment, will be sourced according to the applicable procurement methods depending on the estimated value of the procurement. This procurement method is normally used for procurements in support of Alliance Operations and Missions.

FINANCIAL THRESHOLDS

27. The financial thresholds determine the applicable procurement method(s) that may be used by procurement authorities, based on the estimated procurement value. If a procurement authority proposes a method that is not part of the applicable procurement methods, governance approval is required, otherwise one of the applicable procurement methods would apply. In case of multiple applicable procurement methods, the procurement authority would make the choice between them. Procurements shall not be artificially split in any way to circumvent any competitive bidding procedure. Procurement authorities shall ensure that the delegated authority derived from these thresholds will be exercised by qualified officials. The financial thresholds and the respective applicable procurement methods are listed below and are summarised at Appendix 1.
 - 27.1. The following shall apply for all common funded procurements by all procurement authorities, noting the additional applicable procurement methods for Territorial Host Nations and User Nations under paragraph 27.2:
 - a. For procurements with an estimated value equal to or lower than the Established Financial Limit (EFL) Level E, procurement authorities shall determine the most suitable procurement method to apply⁷.
 - b. For procurements with an estimated value higher than EFL Level E, the applicable procurement methods are either NATO Competitive Procurement or National Competitive Bidding Plus.

⁷ For Budget Holders, the Budget Committee Financial Rules and Procedures apply.

27.1.1. With respect to commercial off-the-shelf (COTS) products or commercial services:

- a. For procurements with an estimated value higher than EFL Level E up to and including two times EFL Level E, the applicable procurement methods are either NATO Competitive Procurement, National Competitive Bidding Plus, Limited Competition or Pre-competed Award.
- b. For procurements with an estimated value higher than two times EFL Level E up to and including six times EFL Level E, the applicable procurement methods are either NATO Competitive Procurement, National Competitive Bidding Plus or Pre-competed Award.
- c. For procurements with an estimated value higher than six times EFL Level E, the applicable procurement methods are either NATO Competitive Procurement or National Competitive Bidding Plus.

27.1.2. With respect to Architecture and Engineering Fees for NSIP projects, procurement authorities shall determine the most suitable procurement method to apply.

27.2. With respect to civil works for NSIP projects implemented by Territorial Host Nations or User Nations:

- a. For procurements with an estimated value equal to or lower than the Smaller Scale Projects Threshold, the applicable procurement methods are either NATO Competitive Procurement, National Competitive Bidding Plus, Pre-competed Infrastructure Bidding or National Competitive Bidding.
- b. For procurements with an estimated value higher than the Smaller Scale Projects Threshold and up to and including four times the Smaller Scale Projects Threshold, the procurement methods are either NATO Competitive Procurement, National Competitive Bidding Plus or Precompeted Infrastructure Bidding.
- c. For procurements with an estimated value higher than four times the Smaller Scale Projects Threshold, the procurement methods are either NATO Competitive Procurement or National Competitive Bidding Plus.

GENERAL PROCUREMENT PROVISIONS

Notification of Procurement Opportunities

28. In order to foster open and fair competition, all procurement opportunities shall be publicly notified through an official NATO or national procurement website. Procurement authorities may choose to use additional advertisement websites. For reasons of practicality such notifications may apply only to procurements above twice EFL Level B. Public notification is not required for procurements where the intended pool of vendors is known (e.g. sole source, limited competition). Notifications shall include clear instructions on how vendors can access the solicitation documentation, noting that such access should be given in full compliance with the provisions of paragraph 4. Early indication of all future opportunities by procurement authorities is highly encouraged.
29. At the time when a single NATO website for procurement opportunities becomes operational, NATO Bodies shall use it to publicly notify of all their procurement opportunities, while Territorial Host Nations shall use it to publicly notify procurement opportunities that are open to all eligible vendors from participating nations. Until such a time a single NATO website for procurement opportunities becomes operational, other means of notification of procurement opportunities may also be established to facilitate competition.
30. Notifications and solicitation documentation by procurement authorities shall be published in at least one of the NATO official languages. Additional languages may be used when deemed beneficial for increasing competition. When the procurement authority is a Territorial Host Nation or User Nation, solicitation documentation may be published in the official language of the nation, although the use of one of the NATO official languages is encouraged. The bids/proposals must be submitted either in the official language(s) of the procurement authority or in one of the official NATO languages, unless the choice of language was specifically determined by the procurement authority and stated in the solicitation documentation.

31. When deemed suitable by the procurement authority, additional public engagement measures may be taken such as the organisation of industry days or pre-bid conferences. These engagements should focus on expanding the pool of known vendors. To support this, procurement authorities are encouraged to maintain a database of potential vendors and may send direct notifications of relevant opportunities to registered vendors, in addition to issuing public notifications. Procurement authorities shall maintain records of all published notifications, including dates of publication and any subsequent amendments or clarifications.

Vendor Eligibility

32. Applicable to all common funded procurement and for all procurement methods, unless otherwise decided by governance, all goods, works, and services shall be procured from vendors from participating nations. Procurement authorities shall explicitly state in the solicitation instructions that vendors from other than participating nations shall be excluded from serving as contractor or sub-contractor.
- 32.1. Whether a vendor is from a participating nation shall be determined primarily based on the nation of origin, and secondly the location of the main production facilities and/or effective management and/or beneficial ownership. Vendors found eligible based on the nation of origin, but whose main production and/or effective management and/or beneficial ownership are in a nation for which applicable commercial restrictions are in force, will not be eligible, unless otherwise decided by policy and/or governance.
33. To be considered eligible for NATO procurement, vendors shall be assessed by the procurement authority on their financial, technical and professional competence. In this vein, and in line with applicable procedures, procurement authorities shall use the most suitable instruments at their disposal, including requesting assessments by the national authorities of the vendor from participating nations. The procurement authority shall refer matters of security credentials to national authorities, in line with the applicable security policy, as captured in paragraph 4.

AGILE PROCUREMENT

34. Procurement authorities are encouraged to use agile procurement procedures when deemed appropriate for the procurement objectives. Agile procurement is not a specific procurement method per se; rather, it is an overall approach to conducting procurement. Agile procurement is particularly well-suited for addressing uncertain or evolving requirements, the need for close vendor collaboration, user-centric projects, complex integration with existing systems, and continuous improvement needs. Procurement authorities may adopt an agile procurement approach when applying any of the procurement methods described in paragraphs 19 through 26.
35. Procurement authorities may consider applying one or more of the main tenets of agile procurement described below:
- 35.1. Relying on cross-functional teams across relevant stakeholders and mobilising internal experts in a collaborative approach, aiming for flexible and adaptive processes;
- 35.2. Engaging vendors based on minimally prescribed requirements and/or problem statement and challenges, focused on user needs;
- 35.3. Leveraging vendor expertise and allowing industry partners to complete the technical design or solution throughout the procurement process, via iterative cycles and facilitated by dialogue.
36. Specific agile procurement procedures, with examples such as competitive dialogue should remain adaptable and may be combined with other innovative approaches, in synergy and in alignment with NATO's broader objectives and efforts for increased competitive advantage based on the integration of new technologies. Procurement authorities must ensure that any communication or engagement with industry is transparent and non-discriminatory. Procurement authorities may engage industry at any stage in the procurement process, particularly when there is uncertainty regarding the best delivery or implementation approach or evolving requirements.

LONG-TERM INDUSTRY PARTNERSHIPS

37. Procurement authorities may enter into long-term partnerships with industry as part of a broader acquisition strategy. Such industry partnerships go beyond transactional customer-vendor relationships, aiming for ongoing collaboration over extended periods of time. These arrangements are intended to secure reliable access to advanced technologies, ensure sustained maintenance and support for critical defence capabilities, and foster innovation in response to evolving security needs.
38. When long-term industry partnerships can provide benefits to NATO, such as cost predictability, continuous technology updates, lower procurement risks, and improved supply chain resilience, they should be encouraged. In particular, due consideration should be given to the contracted support needed to develop NATO capabilities that require long-term investments, where cost savings may be achieved through reduced competition efforts and risk-sharing with industry. Depending on context and funding arrangements, which may go beyond common funding, such partnerships should receive the appropriate approval by the relevant governance bodies.

INTELLECTUAL PROPERTY RIGHTS

39. The definition, usage and management of Intellectual Property Rights (IPR) are key aspects of procurement activities, and procurement authorities shall establish specific procedures to ensure due consideration of IPR in all procurement activities, where relevant. These procedures should account for the nature of the procurement, involved parties, type of intellectual property, associated risks, and strategic implications.
40. Procurements involving intellectual property development, licensing, or transfer must clearly define IPR arrangements (including access, usage, ownership) in solicitation documentation and contracts. In general, NATO should not aim for full intellectual property ownership. Procurement authorities shall only seek full intellectual property ownership when critical for long-term objectives, such as control over sensitive technologies or operational effectiveness and autonomy. Agreements should mitigate vendor lock-in risks, especially when future adaptations or enhancements to the acquired capability are envisaged, and prioritize open standards and flexible licensing to foster innovation and competition.
41. Vendors' background intellectual property relevant for the procurement shall be clearly identified upfront and its ownership shall remain with the contractor by default. When needed, procurement authorities should secure appropriate licensing agreements to ensure necessary access and usage rights, particularly for future modifications through open competition. When procurement is expected to result in foreground intellectual property, NATO should ensure full control over the resulting technology or solution, and full flexibility and autonomy to maintain, modify or upgrade it as needed. In such cases, full ownership of the IPR shall be considered as a priority. When full ownership of foreground IPR is not feasible, appropriate or cost-effective, procurement authorities shall secure broad licensing rights to protect NATO's interests.
42. In the context of innovation or experimentation activities, or long-term industry partnership, NATO should seek unrestricted access to the results of the activities, while enabling industrial partners to exploit outcomes proportionate to their contribution. Arrangements such as shared ownership or royalty-free licensing may be negotiated for mutual benefit.
43. In all cases, when negotiating IPR of procured goods and services, procurement authorities shall factor in the impact that national export control restrictions may have in NATO's intended use of the intellectual property.

CRISIS AND CONFLICT SITUATIONS, AND ALLIANCE OPERATIONS AND MISSIONS

44. In heightened vigilance, crisis and conflict situations and in the case of Council approved Alliance Operations and Missions (AOM), NATO procurement authorities should endeavour to deliver on requirements as expeditiously as possible, within realistic timelines and with due consideration to costs. Procurement authorities are expected to expedite their procurement processes and procedures to enable a swift and immediate response to procurement needs during such circumstances.
45. When deciding on the procurement method, governance should take into account the urgency of the situation, based on operational impact, security and safety considerations. Particularly with regard to AOMs and the implementation of military response measures, the Resource Committees should be prepared to make allowances for such factors as out-of-area aspects, geographical separation, size of the theatre of operations and the security environment.
46. Procurement authorities may make use of vendors from non-participating nations during heightened vigilance, crisis and conflict situations, or for the execution of projects in support of Council approved enduring AOMs, when this is needed to meet the required timeline, for cost effectiveness, or when there are no practical options to the general principle that all goods, works and services shall be procured through vendors from participating nations. In all such circumstances, the procurement authority must seek prior approval from governance.

DISPUTE RESOLUTION

47. All procurement authorities shall clearly state the applicable dispute procedure as part of the solicitation documentation. Disputes arising after the signature of a contract will be regulated by the applicable terms and conditions set out in the contract.

TAXES AND DUTIES

48. In accordance with applicable international legally binding instruments and the established NATO agreement on tax exemption⁸, NATO common funds shall not be used to cover the costs of taxes, including, but not limited to, customs/import duties, value-added tax (VAT), and other direct or indirect taxes as may be required by national legislation. Procurement authorities shall include in the solicitation documentation instructions on the exclusion of taxes and duties from bidders' price proposals. Procurement authorities shall compare bids/proposals on a tax exclusive basis. To achieve this, bidders must certify that the prices in their bids/proposals do not including any identifiable taxes.
49. Where nations do not exempt vendors (contractors and sub-contractors alike) from taxes and duties, those nations shall bear the cost of the taxes and duties they levy. Where the procurement authority is a Territorial Host Nation or a User Nation that does not exempt vendors from taxes and duties but bears their cost, vendors will, if so required, add to their bid/proposal the taxes and duties they expect to be levied. However, bids/proposals will still be compared on a tax exclusive basis. To assist vendors, the solicitation documentation should inform bidders of national taxes and duties that the Territorial Host Nation or User Nation may expect to levy. In such a case these expenses will be listed as a separate item.
50. Where so required, NATO Bodies may cover advances of the relevant taxes or duties until the amounts are reimbursed by the nation that levied them. NATO Bodies may also use common funding to cover the cost of taxes or duties on low-value purchases/services not subject to the signature of a contract, purchases/services charged to personnel while fulfilling their duties to the organisation or where the administrative cost of obtaining the tax exemption or reimbursement substantially exceeds the amount to be saved through the tax exemption.

⁸ C-M(56)34 and C-R(56)12.

ENTRY INTO FORCE

51. This Policy shall enter into force on the date of its approval. All procurement authorities engaged in common funded procurement activities shall implement this Policy for new procurement actions initiated on or after the date of entry into force. Ongoing procurements should be finalised accordingly, respecting the procedures and guidance based on which they were initiated, unless otherwise directed by governance. Any required alignment of current directives and/or implementing rules and procedures and guidance at procurement authority level shall be carried out as soon as possible, and no later than six months from the entry into force of this Policy.

REVIEW

52. This Policy shall be reviewed after five years of implementation, unless otherwise decided by governance. As relevant, the review shall take account of lessons identified during actual procurement activities as carried out by the procurement authorities, as well as any relevant audits.

APPLICABLE PROCUREMENT METHODS AND FINANCIAL THRESHOLDS

APPLICABLE PROCUREMENT METHODS BY ALL PROCUREMENT AUTHORITIES		
Financial Threshold	Value* (EUR)	Applicable Procurement Method
≤ Established Financial Limit Level E	≤ 1,600,000	To be determined by procurement authorities**
> Established Financial Limit Level E	> 1,600,000	NATO Competitive Procurement or National Competitive Bidding Plus
For Commercial Off-the-Shelf Products/Commercial Services:		
> Established Financial Limit Level E ≤ 2x Established Financial Limit Level E	> 1,600,000 ≤ 3,200,000	NATO Competitive Procurement or National Competitive Bidding Plus or Limited Competition or Pre-competed Award
> 2x Established Financial Limit Level E ≤ 6x Established Financial Limit Level E	> 3,200,000 ≤ 9,600,000	NATO Competitive Procurement or National Competitive Bidding Plus or Pre-competed Award
> 6x Established Financial Limit Level E	> 9,600,000	NATO Competitive Procurement or National Competitive Bidding Plus
For Architecture and Engineering Fees:		
N/A	N/A	To be determined by procurement authorities

ADDITIONAL APPLICABLE PROCUREMENT METHODS BY TERRITORIAL HOST NATIONS / USER NATIONS		
Financial Threshold	Value* (EUR)	Applicable Procurement Method
For Civil Works:		
≤ Smaller Scale Projects Threshold	≤ 6,000,000	NATO Competitive Procurement or National Competitive Bidding Plus or Pre-competed Infrastructure Bidding or National Competitive Bidding
> Smaller Scale Projects Threshold ≤ 4x Smaller Scale Projects Threshold	> 6,000,000 ≤ 24,000,000	NATO Competitive Procurement or National Competitive Bidding Plus or Pre-competed Infrastructure Bidding
> 4 x Smaller Scale Projects Threshold	> 24,000,000	NATO Competitive Procurement or National Competitive Bidding Plus

NOTIFICATION OF PROCUREMENT OPPORTUNITIES		
Financial Threshold	Value* (EUR)	Applicable Procurement Method
≤ 2x Established Financial Limit Level B	≤ 80,000	To be determined by procurement authorities
> 2x Established Financial Limit Level B	> 80,000	Official NATO*** or national procurement opportunities website

* This column shows the currently approved financial thresholds; the associated amounts are subject to periodic review.

** For Budget Holders, the Budget Committee Financial Rules and Procedures apply.

*** Until such a time a single NATO website for procurement opportunities becomes operational, additional means of notification are established for procurements open to all eligible vendors from participating nations.

GLOSSARY OF TERMS

Term	Definition
Bid	A formal offer to provide goods, works, or services at a stated price under specified conditions, submitted in response to an Invitation for Bids (IFB) in a competitive procurement process.
Bidder	A vendor actively participating in a specific procurement process by submitting a formal offer (bid or proposal) in response to a solicitation. In some cases, a bidder may be a non-commercial entity.
Budget Holder	A NATO entity with the authority to execute a budget approved by the Council.
Commercial Off-the-Shelf (COTS)	Pertaining to a commercially marketed product which is readily available for procurement and normally used without modification.
Commercial Services	Services that support a commercial product (e.g. consulting, installation, maintenance, repair, training) offered to the general public on similar terms. They are sold competitively in the commercial marketplace, priced using catalogues or market rates, and delivered under standard commercial terms.
Competitive Dialogue	A procurement procedure whereby the procurement authority engages in discussions with selected bidders to develop one or more suitable solutions to a problem. Through dialogue, the procurement authority's requirements and the vendors' proposed solutions are refined and adapted before the submission of final bids/proposals. This procedure is typically employed for complex procurements where innovative solutions are required.
Contract	A mutually binding legal relationship obligating the vendor to provide the goods, works, or services and the customer to pay for them following delivery and acceptance.
Contract Award	The process of selecting and notifying a bidder that they have been formally chosen as the contractor for a particular contract upon acceptance of their bid or proposal, and culminating in the contract signature.
Contract Type	The method of compensation and the allocation of responsibilities and risks between the procurement authority and the vendor. Also referred to as "type of contract".
Contractor	A vendor that enters into a legally binding agreement with the procurement authority to provide specified goods, works, or services under agreed-upon terms and conditions. A prime contractor has a direct contractual relationship with the procurement authority and is responsible for fulfilling the contract's terms, while a sub-contractor is engaged by the prime contractor to execute portions of the contract without having a direct relationship with the procurement authority.
Declaration of Eligibility	Document provided by a NATO nation certifying the legal and regulatory competence, the economic and financial standing, the technical and professional capacity, and the security risk of a vendor.

Term	Definition
Dialogue	Any communication between procurement authorities and bidders during the procurement process, including on the bid/proposal submitted or the solicitation documentation, which must ensure fairness and transparency.
Dispute	A formal disagreement that arises in connection to a NATO procurement process, following the lodging of a complaint.
Established Financial Limits (EFLs)	The Established Financial Limits (EFLs) refer to monetary levels of discretionary powers set in the Budget Committee Financial Rules and Procedures.
Eligible Vendor	A vendor deemed eligible by the procurement authority to participate in a NATO procurement based on legal and regulatory competence, economic and financial standing, technical and professional capacity, and security risk.
Estimated Procurement Value	Represents the estimated total contract value, including contractual options, needed for the entire contract duration (and not per year or any other subset). Procurements shall not be artificially split in any way to circumvent any competitive bidding procedure. Also referred to as “estimated value”.
Host Nation	The entity which implements a NATO Security Investment Programme (NSIP) project on behalf of NATO. A host nation would normally be the country on whose territory the project is to be implemented (Territorial Host Nation), a NATO Agency or a Strategic Command.
Internal Controls	The established framework of directives, procedures, and verification measures providing reasonable assurance on the effectiveness, efficiency, and accountability of procurement operations while ensuring compliance with financial regulations and procurement rules, segregation of duties, and sound financial management of resources.
Nation of Origin	The nation where a vendor is legally established, registered, or incorporated and from which it primarily conducts its business operations as pertinent to the procurement.
NATO Body	A civilian or military headquarters or other organisation established pursuant to the North Atlantic Treaty.
Notification of Procurement Opportunity	A public announcement informing potential vendors about an immediate or future procurement need and how to participate.
Participating Nation	A nation participating in the funding of a given procurement.
Procurement Authority	A NATO or national body procuring goods, works, and services using NATO funds.
Proposal	A detailed document that outlines how a vendor plans to meet specific requirements, including technical solutions, pricing, and implementation approaches, submitted in response to a Request for Proposal (RFP) in a competitive procurement process.

Term	Definition
Solicitation	The formal process used to request bids, proposals, or quotations from potential vendors for goods, services, or works. Solicitation documentation is the totality of documents shared by the procurement authority as part of the solicitation process.
User	The NATO entity (or element thereof) that is the beneficiary of the goods and/or services to be provided by means of the contracts.
Vendor	A legally recognized entity that provides goods, works, or services to customers through formal business transactions and established commercial relationships.
Vendor from Participating Nations	A vendor is considered to be from a participating nation if both of the following criteria are met: 1. The vendor's nation of origin is one of the participating nations. 2. The vendor's place of main production facilities (either in general or specific to a project) and/or effective management and/or beneficial ownership (meaning the nation of origin of an entity or group of entities owning a controlling share of the company's voting actions) is in a nation for which no applicable commercial restrictions are in force. Should these criteria not be fulfilled, the vendor shall not be considered a vendor from a participating nation.

