How Are Thresholds Adjusted?

Idea In Short

Adjust procurement thresholds when evidence shows that current levels no longer produce appropriate decisions. Review purchasing values, inflation, market changes, processing costs, risk, competition, exceptions, and control findings. Distinguish an internal approval threshold from a legal or treaty-based threshold, which may follow a separate update mechanism. Assess who gains or loses oversight when a level changes and whether safeguards need to move with it. Consult users and suppliers where effects are material, obtain approval from the policy owner, and communicate the effective date. Monitor the new levels to detect contract splitting, reduced competition, or unnecessary bureaucracy.

Thresholds determine when additional approvals, competition, records, or assurance apply. If they are set once and never revisited, they can drift away from the price of typical purchases, the cost of process, or the risk the controls are meant to manage. Adjusting thresholds therefore requires more than changing a number. The organization should evaluate why the level exists, what behavior it produces, who will be affected, and whether a revised threshold preserves the original control objective.

Separate internal limits from external rules

First identify the kind of threshold under review. An organization may set internal spending limits, approval bands, or documentation triggers. External rules may set legal publication thresholds, treaty commitments, or mandatory procedures. Internal leaders can adjust the former within their authority; they cannot unilaterally change the latter. Maintain an authoritative source and track effective dates for external thresholds.

This distinction matters because a change may require different analysis and approval. Internal levels can respond to process performance or organizational risk. External values may be adjusted through scheduled legal updates or currency calculations. The European Commission's threshold information shows how values in its framework are revised for

defined periods and differ across contract categories. It is an example of a jurisdiction-specific mechanism, not a universal schedule for organizations elsewhere.1

Diagnose why adjustment is needed

Review performance before proposing a change. Rising purchase values may push routine work into a higher approval band. Staff may report long delays, while audit findings show that low-value transactions are poorly documented. Market prices may have changed, or an internal threshold may no longer reflect the cost and risk of the categories it governs.

Collect data across time and categories. Examine transaction values, processing effort, approvals, exceptions, competition, supplier participation, contract splitting, cost overruns, and control findings. Compare similar purchases and identify outliers. The OECD's analysis of public procurement risk notes that changing thresholds can simplify processes but should be balanced against transparency, competition, and accountability. That is why evidence should test both the burden of the existing level and the safeguards a change might weaken.2

Reassess the control objective

Ask what the threshold is intended to trigger and whether that response still makes sense. If the goal is manager approval, verify whether the current level routes decisions to the right budget owner. If the goal is competition, consider whether a revised level would reduce supplier visibility or increase reliance on informal selection. If the goal is risk review, check whether value remains a useful proxy or whether separate triggers should address data, criticality, or supplier concentration.

Do not assume that increasing every limit by an inflation index preserves the original control. Inflation may explain price movement but not changes in market concentration or operational exposure. A more complete review may create different levels for different categories, simplify documentation, or introduce a risk trigger while retaining the original monetary band. The World Bank's procurement guidance advocates fit-for-purpose analysis based on context, value, risk, and complexity, which can inform an organization's internal review.3

Analyze effects and safeguards

Estimate the effect of each proposed level on employees, suppliers, managers, competition, processing cost, and assurance. Identify which transactions move into a lighter or heavier route. Model workload changes and consider whether approval capacity exists. Check if a supplier could face different requirements or if smaller purchases might be split to avoid scrutiny.

Design safeguards alongside the threshold. These may include aggregation rules, exception reporting, random review, market engagement, or special triggers for high-risk categories. The Asian Development Bank's Procurement Risk Framework treats risk management as an ongoing activity through planning and implementation. Threshold adjustments should preserve the ability to identify and manage risk, even when routine procedures are simplified.4

Consult and approve the change

Consult people who apply the rules and those affected by them. Ask where the current levels create delay, which controls provide useful assurance, and what unintended behavior a change may encourage. Suppliers can reveal whether process costs or timing deter participation. Consultation should occur before the organization has committed to a particular number.

Prepare an approval paper with the problem, data, options, impact analysis, recommended levels, risks, safeguards, and implementation plan. Identify whether the change affects legal obligations or only internal governance. The Government Functional Standard for Commercial describes authority limits within a broader governance framework. Internal changes should be approved through the organization's own policy authority and aligned with financial delegations.5

Implement and monitor results

An approved threshold change needs coordinated implementation. Update procedures, systems, approval matrices, forms, training, and supplier communication. State the effective date and how ongoing procurements will be handled. Remove obsolete thresholds from templates so teams do not apply conflicting values.

Review outcomes after enough transactions have used the new levels. Track cycle time,

competition, supplier participation, exceptions, control failures, contract splitting, and user feedback. Compare these results with the baseline and initial rationale. UNCITRAL's Guidance on Procurement Regulations recognizes that detailed rules may need to reflect changing circumstances while remaining consistent with the broader framework. A post-change review helps ensure that internal adjustments remain coherent and proportionate.6

Thresholds should change when evidence shows that their control purpose or operating effect has shifted. Separate internal and external authority, diagnose the need, test impacts, consult affected groups, and monitor behavior after implementation. This turns a threshold update into a governance decision rather than an arbitrary recalibration.

- 1Public Procurement Thresholds
- 2Government Operations: Restoring Public Finances
- 3Project Procurement Strategy for Development Guidance
- 4Procurement Risk Framework
- 5Government Functional Standard GovS 008: Commercial
- 6Guidance on Procurement Regulations

Summary

Threshold changes should be deliberate because they alter who reviews decisions and how much transparency or competition applies. Preserve the evidence, rationale, impact analysis, approvals, and implementation plan. Reassess results after the change and adjust again if risks or behavior shift. This cycle keeps thresholds current while protecting the controls and outcomes they are meant to support.