

A thick black L-shaped frame surrounds the text. The top-left corner is a horizontal bar extending to the right, then a vertical bar extending downwards. The bottom-right corner is a horizontal bar extending to the left, then a vertical bar extending upwards.

# PROCUREMENT MANAGEMENT

Course title: International Project  
Management

Lecturer: Nodirjon Makhkamov

# Project Procurement Management

Includes the processes necessary to purchase or acquire products, services, or results needed from outside the project team.



## Project Procurement Management processes:

1- Plan Procurements: The process of documenting project purchasing decisions, specifying the approach and identifying potential sellers

2- Conduct Procurements: The process of obtaining sellers responses, selecting a seller, and awarding a contract

## Project Procurement Management processes:

3- Administer Procurements: the process of managing procurement relationships, monitoring contract performance, and making changes and corrections as needed

4- Close procurements: The process of completing each project procurement

## Plan Procurements

### Inputs

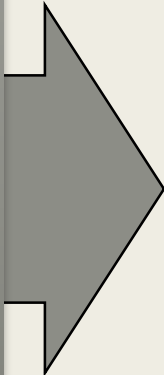
1. Scope Baseline
2. Requirement Documentations
3. Teaming agreements
4. Risk Register
5. Risk-Related Contract decisions
6. Activity resource requirements
7. Project schedule
8. Activity cost estimates
9. Cost performance baseline
10. Enterprise environmental factors
11. Organizational process assets

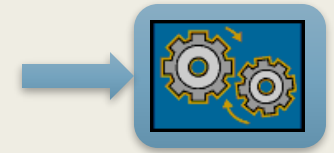
### Tools & Tech.

1. Make –or –buy analysis
2. Expert Judgment
3. Contract Types

### Outputs

1. Procurement management plan
2. Procurement statements of work
3. Make –or –buy decisions
4. Procurement documents
5. Score selection criteria
6. Change requests





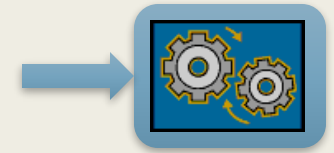
## PLAN PROCUREMENTS (INPUTS):

1.1 scope baseline: describes the need, Justification, Requirements and current boundaries of the project and it is contain:

- Scope statement
- WBS
- WBS Dictionary

1.2 Requirements Documentation: include

- important information about project requirements
- requirements with contractual and legal implications that may include Health, Safety

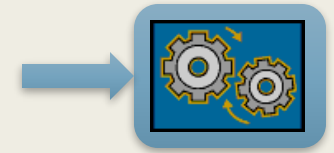


## PLAN PROCUREMENTS (INPUTS)

*1.3 Teaming Agreements:* legal contractual agreements between two or more entities to form a partnership or joint venture, or some other arrangement as defined by the parties

*1.4 Risk Register:* include risk-related information such as the identified risk, risk owners and risk responses

*1.5 Risk Related Contract Decision:* include insurance, bonding, services that linked to a specific risk

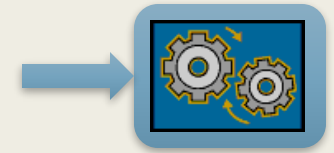


## PLAN PROCUREMENTS (INPUTS)

1.6 Activity Resource Requirements: contain information on specific needs such as people, equipments or location

1.7 Project Schedule: contain information on required timelines or mandated deliverable dates.

1.8 Activity Cost Estimates: used to evaluate the reasonableness of the bids of proposals received from potential sellers

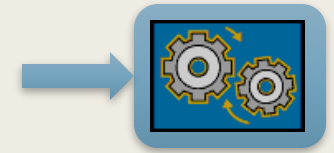


## PLAN PROCUREMENTS (INPUTS)

1.9 Cost Performance baseline: provide detail on the planned budget over time

1.10 Enterprise Environmental Factors: include

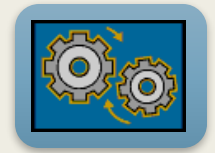
- Marketplace conditions
- Product and service that are available in the market
- Suppliers, including past performance
- Typical Terms conditions for product or service
- Unique local requirements



## PLAN PROCUREMENTS (INPUTS)

### 1.10 Organizational Process Assets: include

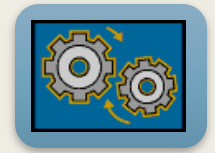
- formal procurement policies, procedure and guidelines
- Management system
- system of pre-qualified sellers



## PLAN PROCUREMENTS (TOOLS & TECH.)

1.1 Make –or –buy Analysis: means figuring out whether or not you should be contracting the work or doing it yourself. It could also mean deciding whether to build your own solution to your problem or buy one that is already available.

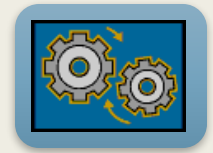
1.2 Expert Judgment: means asking someone who's made the same kind of decision before to help you look at all the information you have for your project and make the right decision



## PLAN PROCUREMENTS (TOOLS & TECH.)

1.1 Make –or –buy Analysis: means figuring out whether or not you should be contracting the work or doing it yourself. It could also mean deciding whether to build your own solution to your problem or buy one that is already available.

1.2 Expert Judgment: means asking someone who's made the same kind of decision before to help you look at all the information you have for your project and make the right decision



## PLAN PROCUREMENTS (TOOLS & TECH.)

1.3 Contract Type: determine the risk shared between the buyer and seller

### TYPE OF CONTRACTS

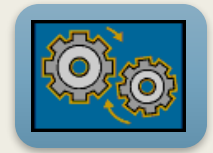
#### Fixed-Price Contracts

- Firm Fixed Price Contract (FFP)
- Fixed Price Incentive Fee Contracts (FPIF)
- Fixed Price with Economic Price Adjustment Contract (FP-EPA)

#### Cost-Reimbursable Contract

- Cost Plus Fixed fee Contract (CPFF)
- Cost Plus Incentive fee Contract (CPIF)
- Cost Plus Award fee Contract (CPAF)

#### Time and Material Contract (T&M)



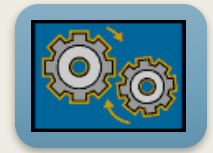
## PLAN PROCUREMENTS (TOOLS & TECH.)

### Firm Fixed Price Contract (FFP)

means that you are going to pay one amount regardless of how much it costs the contractor to do the work. A fixed price contract only makes sense in cases where the scope is very well known.

### Fixed Price Incentive Fee Contracts (FPIF)

means that you are going to pay a fixed price for the contract and give a bonus based on some performance goal.



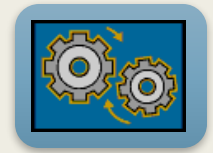
## PLAN PROCUREMENTS (TOOLS & TECH.)

### Fixed Price with Economic Price Adjustment Contract (FP-EPA)

means that you are going to pay fixed price with adjustment that can be changed due to the economic price. This contract is only makes sense in cases where the contract period is very long.

### Cost Plus Fixed fee Contract (CPFF)

means you pay the seller back for the costs involved in doing the work, plus you agree to an amount that you will pay on top of that.



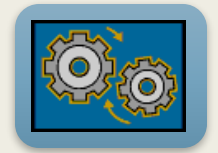
## PLAN PROCUREMENTS (TOOLS & TECH.)

### Cost Plus Award fee Contract (CPAF)

is similar to the CPFF contract, except that instead of paying a fee on top of the costs, you agree to pay a fee based on the buyer's evaluation of the seller's performance.

### Cost Plus Incentive fee Contract (CPIF)

means you will reimburse costs on the project and pay a fee if some performance goals are met.



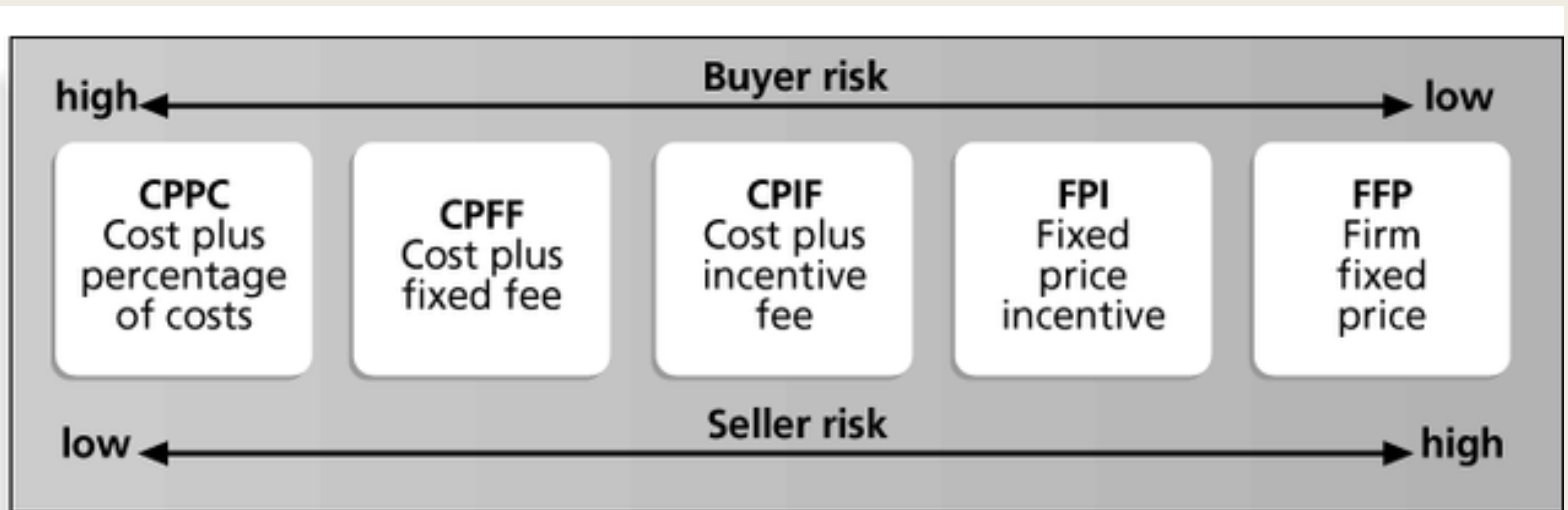
## PLAN PROCUREMENTS (TOOLS & TECH.)

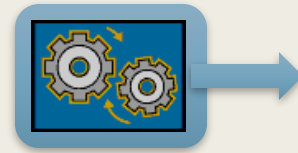
### Time and Material Contract (T&M)

means that you will pay a rate for each of the people working on your project plus their materials costs.



# CONTRACT TYPES VERSUS RISK



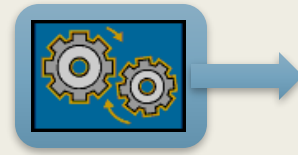


## PLAN PROCUREMENTS (OUTPUTS)

*1.1 Procurement Management plan:* The Documents that describes how procurement process from the developing procurement documentation through contract closure will be managed.

*1.2 Procurement Statements of work:* developed from the project scope baseline and include the project scope.

*1.3 Make –or –Buy Decisions:* this document the conclusion reach regarding the tasks that are going to be done from the project team or through the contract



## PLAN PROCUREMENTS (OUTPUTS)

*1.4 Procurement Documents*: the documents utilized in bid and proposal activities. Which include the buyer's invitation for bid, invitation for Negotiation and seller's response.

*1.5 Source Selection Criteria*: the documents to rate or score seller proposals.

*1.6 Change Request*.

## Conduct Procurements

### Inputs

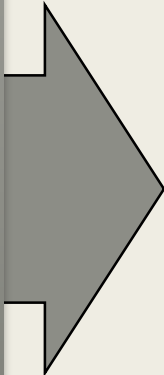
1. Project Management plan
2. Procurement Documents
3. Source Selection Criteria
4. Qualified Seller list
5. Seller proposals
6. Project documents
7. Make –or –buy decisions
8. Teaming agreements
9. Organizational process assets

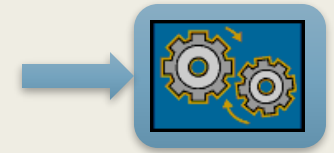
### Tools & Tech.

1. Bidder conference
2. Proposal evaluation techniques
3. Independent estimates
4. Expert judgment
5. Advertising
6. Internet search
7. Procurement negotiations

### Outputs

1. Selected sellers
2. Procurement contract award
3. Resource calendars
4. Change requests
5. Project management plan updates
6. Project document update





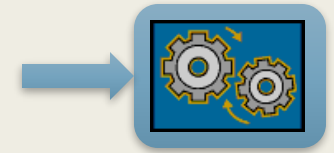
## CONDUCT PROCUREMENTS (INPUTS)

2.1 Project Management plan: describes how the procurement processes will be managed from developing procurement documentation through contract closure

2.2 Procurement Documents: (Described in slide 19)

2.3 Source Selection Criteria: (Described in slide 19)

2.4 Qualified Seller List: a list of sellers who been pre-screened for their qualifications and past experience.



## CONDUCT PROCUREMENTS (INPUTS)

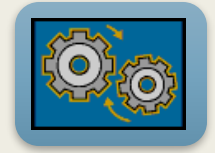
2.5 Seller proposals: the documents provided by seller to be evaluated and selected

2.6 Project Documents: consist of

- Risk Register
- Risk-Related Contract decisions

2.7 Make –or –buy : (Described in slide 18)

2.8 Teaming agreement: the roles between buyer and seller that have been agreed on them



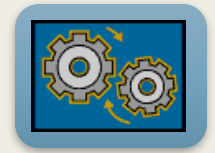
## CONDUCT PROCUREMENTS (TOOLS & TECH.)

2.1 Bidder Conferences: are meetings between the buyer and all prospective sellers prior to submittal of a bid or proposal. They are used to ensure that all prospective sellers have a clear and common understanding

2.2 Proposal Evaluation Techniques: to evaluate the proposal provided by the sellers

2.3 Independent Estimates: by outside professional estimator





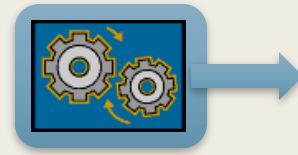
## CONDUCT PROCUREMENTS (TOOLS & TECH.)

2.4 Expert judgment : (Described in slide 12)

2.5 Advertising: to find seller through public newspaper

2.6 Internet Search

2.7 Procurement negotiations: Negotiations clarify the structure, requirements and other terms of the purchases so that mutual agreement can be reached prior to signing the contract.

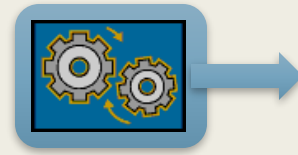


## CONDUCT PROCUREMENTS (OUTPUTS)

2.1 Selected Sellers: The sellers selected are those sellers who have been judged to be in a competitive range based upon the outcome of the proposal or bid evaluation,

2.2 Procurement Contract Award: The contract can be in the form of simple purchase order. It is a legal document between the buyer and seller

2.3 Resource Calendars: The quantity and availability of contracted resources and those dates on which each specific resource can be active or idle are documented



## CONDUCT PROCUREMENTS (OUTPUTS)

*2.4 Change Requests*

*2.5 Project Management Plan updates*

*2.6 Project Document updates*



## Administer Procurements

### Inputs

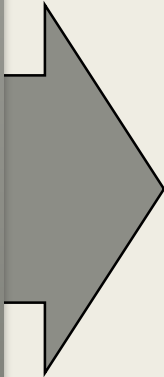
- .1 Procurement documents
- .2 Project management plan
- .3 Contract
- .4 Performance reports
- .5 Approved change requests
- .6 Work performance information

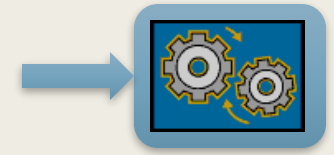
### Tools & Tech.

- .1 Contract change control system
- .2 Procurement performance reviews
- .3 Inspections and audits
- .4 Performance reporting
- .5 Payment systems
- .6 Claims administration
- .7 Records management system

### Outputs

- .1 Procurement documentation
- .2 Organizational process assets updates
- .3 Change requests
- .4 Project management plan updates





## ADMINISTER PROCUREMENTS (INPUT)

*3.1 Procurement Documents*

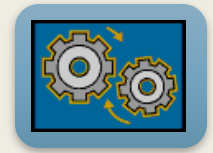
*3.2 Project Management Plan*

*3.3 Contract*

*3.4 Performance Reports*

*3.5 Approved Change Requests*

*3.6 Work Performance Information:* including the extent to which quality standards are being satisfied

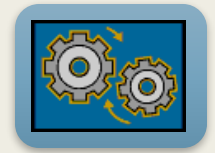


## ADMINISTER PROCUREMENTS (TOOLS & TECH.)

3.1 Contract Change Control System: defines the process by which the procurement can be modified

3.2 Procurement Performance Reviews: is a structured review of the seller's progress to deliver project scope and quality, within cost and on schedule, as compared to the contract

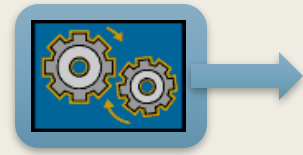
3.3 Inspections and Audits: required by the buyer and supported by the seller as specified in the procurement contract can be conducted during execution of the project.



## ADMINISTER PROCUREMENTS (TOOLS & TECH.)

3.4 Performance Reporting: Performance reporting provides management with information about how effectively the seller is achieving the contractual objectives

3.5 Payment Systems: typically processed by the accounts payable system of the buyer after certification of satisfactory work by an authorized person on the project team.



## ADMINISTER PROCUREMENTS (OUTPUTS)

*3.1 Procurement Documentation:* includes the procurement contract with all supporting schedules, requested unapproved contract changes, and approved change requests.

*3.2 Organizational Process Assets updates*

*3.3 Change Requests*

*3.4 Project Management Plan updates*

## Close Procurements

### Inputs

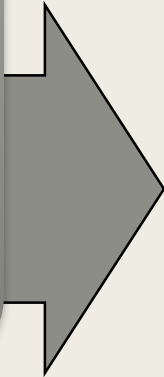
- .1 Project management plan
- .2 Procurement documentation

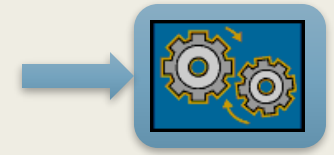
### Tools & Tech.

- .1 Procurement audits
- .2 Negotiated settlements
- .3 Records management system

### Outputs

- .1 Closed procurements
- .2 Organizational process assets updates

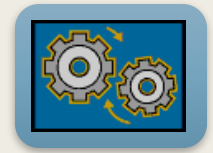




## CLOSE PROCUREMENTS (INPUTS)

*4.1 Project Management Plan*

*4.2 Procurement Documentation*

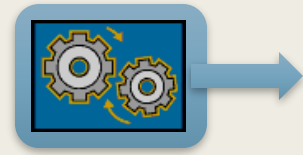


## CLOSE PROCUREMENTS (TOOLS & TECH.)

4.1 Procurement Audits: to identify successes and failures that warrant recognition in the preparation or administration of procurement contracts on the project

4.2 Negotiated Settlements: You need to make sure that all of the terms of the contract have been met and there are no outstanding claims on it





## CLOSE PROCUREMENTS (OUTPUTS)

4.1 Closed Procurements: provides the seller with formal written notice that the contract has been completed

4.2 Organizational Process Assets updates

Thank You

# Exam Questions

**1. You're using a qualified seller list. Which process are you in?**

A. Plan Procurements

B. Plan Contracting



C. Conduct Procurements

D. Request Seller Responses

**2. Which of the following contracts has the MOST risk for the buyer?**

A. FP

B. CPAF

C. CPIF

 D. T&M

**3. You're looking for a seller to do work for your project.  
When do you send out an RFP?**



- A. After you create the procurement documents, but before you select the seller
- B. Before you plan contracting, but after you Plan Procurements
- C. After the bidder conference, but before you select the seller
- D. During Administer Procurements

**4. You're creating source selection criteria for your contract. What process are you in?**

A. Plan Procurement and Acquisitions

B. Plan Contracting

C. Request Seller Responses

 D. Conduct Procurements

**5. Which of the following is NOT true about bidder conferences?**



- A. All potential sellers should meet separately with the buyer
- B. Potential sellers should ask questions in an open forum so other sellers can hear the answers
- C. Bidder conferences are a good way to make sure sellers are treated fairly
- D. All sellers are given the same procurement documents

# Reference and source

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