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PROCUREMENT MANAGEMENT (CONT.)

Course title: International Project
Management

Lecturer: Nodirjon Makhkamov

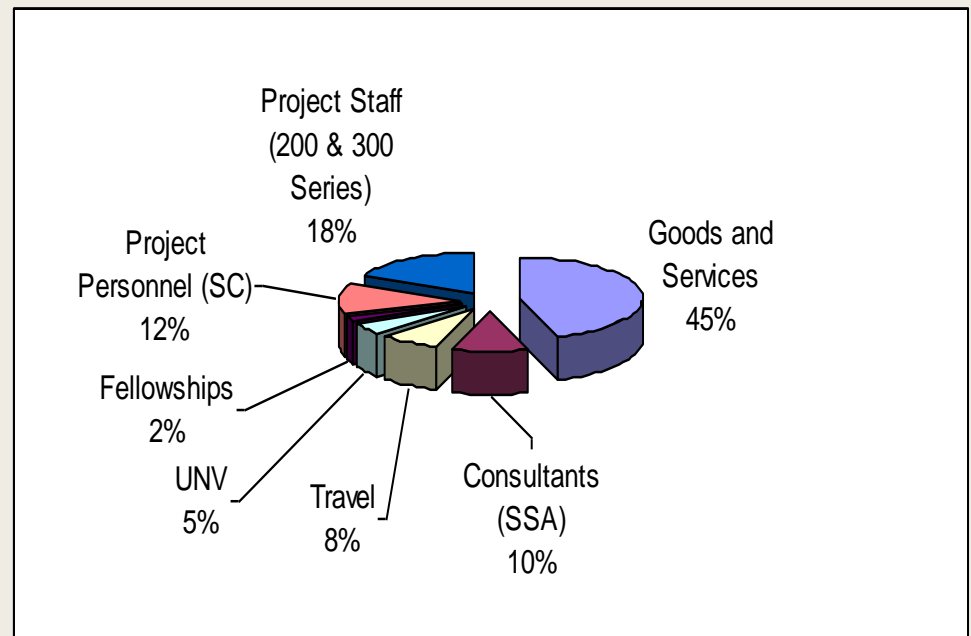
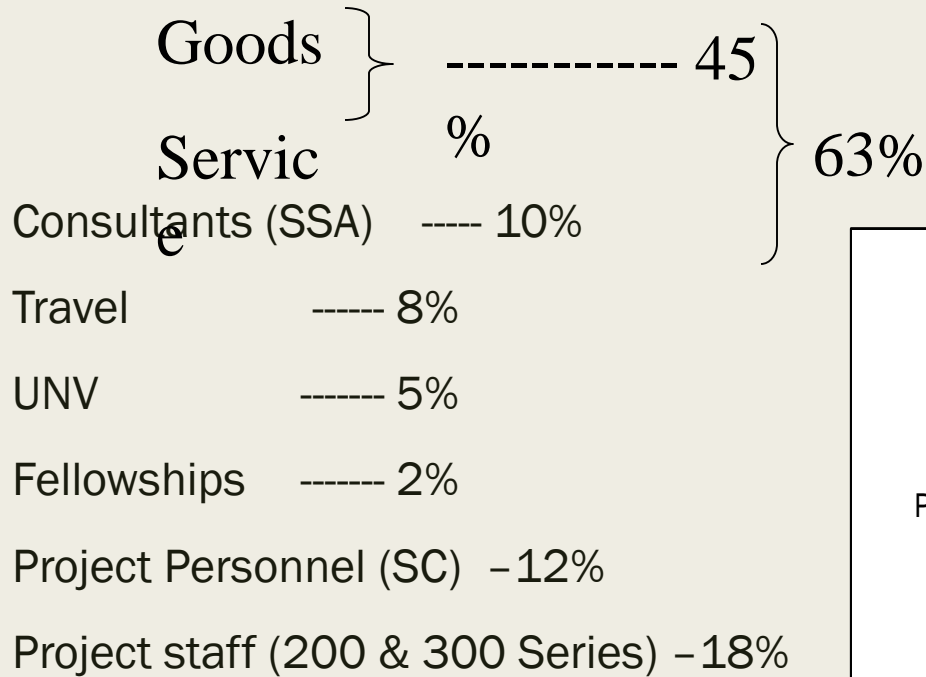
Procurement Defined

The term “procurement” refers to the process of acquiring goods, works and services. The process spans the whole cycle from identification of needs through to the end of a services contract or the useful life of an asset.^[1]

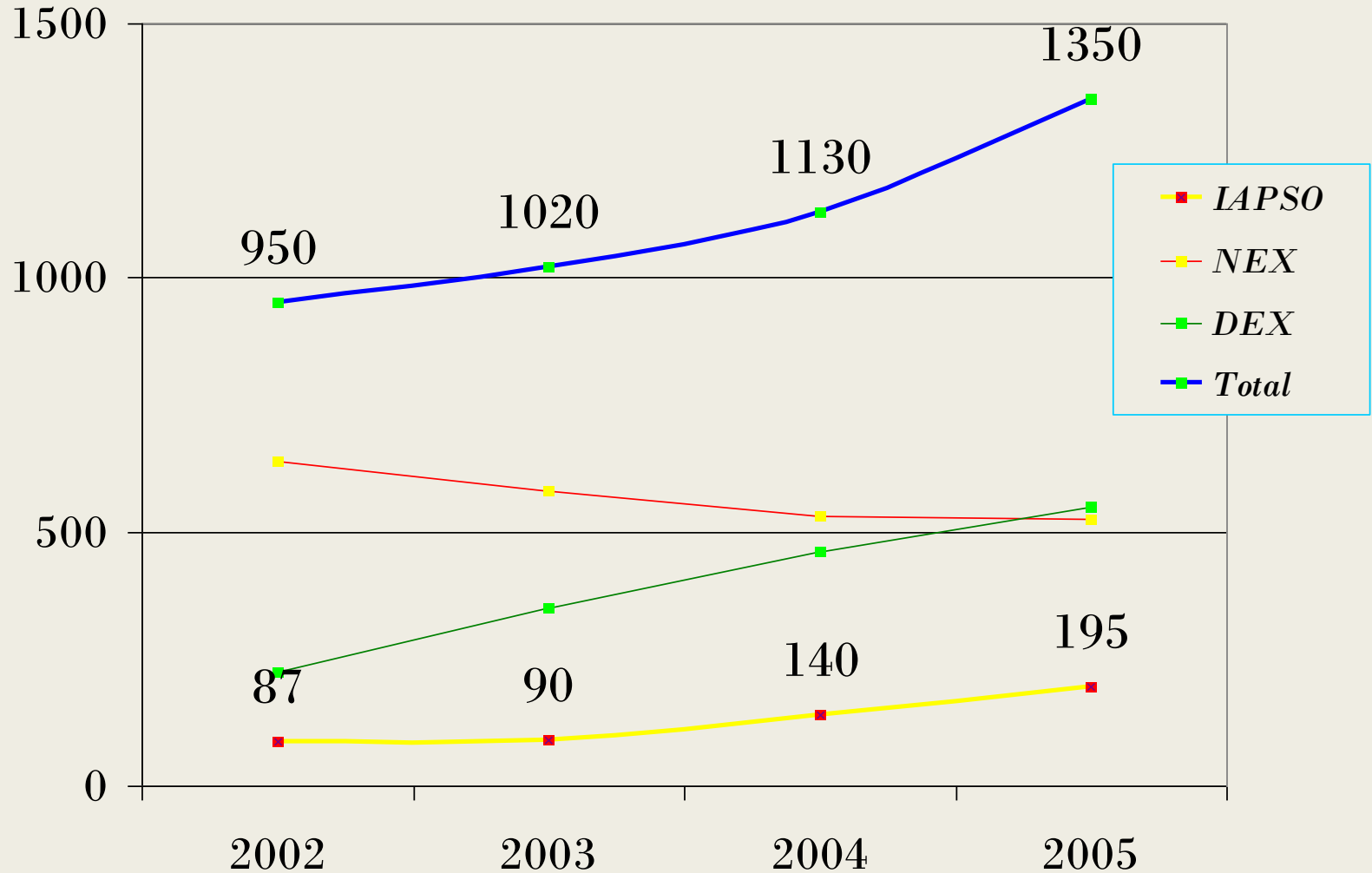
Procurement Authority:

- The Administrator has delegated oversight and approval authority to CPO
- The CPO delegates the authority to RR, Directors and Heads of Bureaus for award of contract valued at less than \$100,000
- Increase of procurement authority can be delegated by the CPO based on needs and capacity.
- RR and Directors can sub-delegate the authority in writing.
- Oversight mechanism is CAP and ACP.
- Accountability

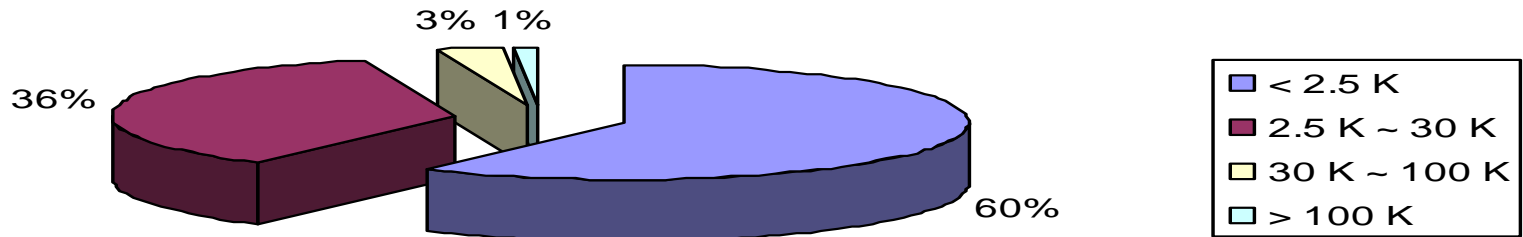
Components of Delivery



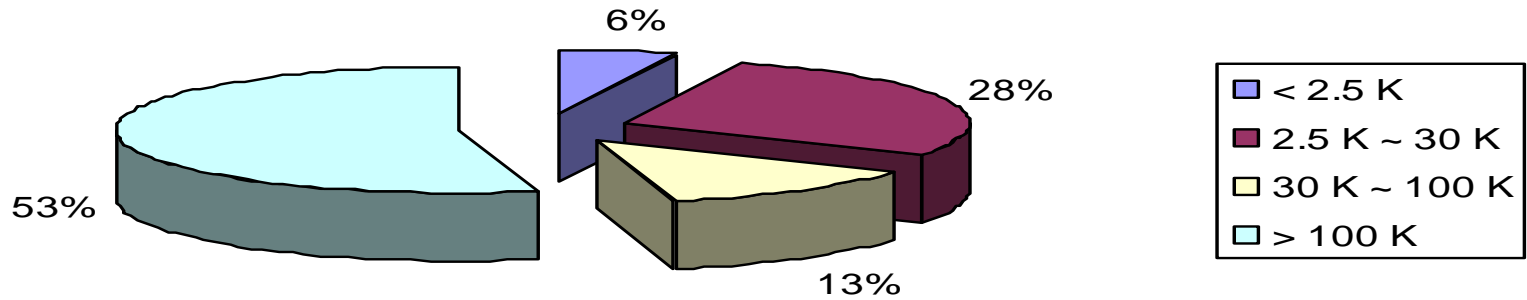
UNDP Global Procurement Trends



PO Count

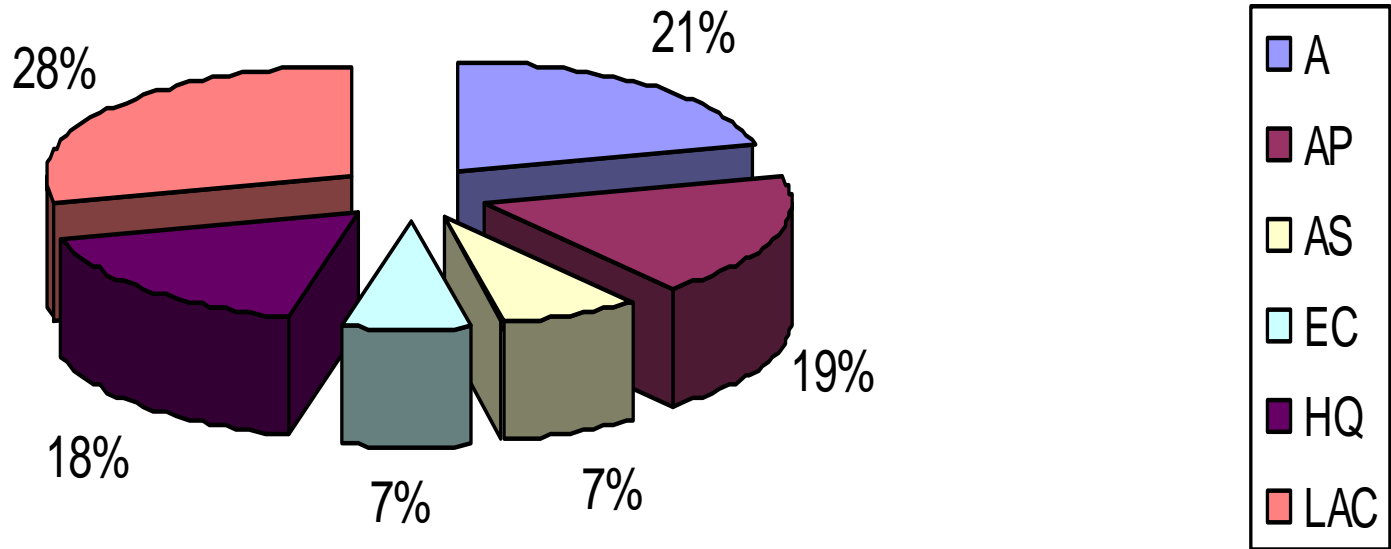


PO Amount



	< 2.5 K	2.5 K ~ 30 K	30 K ~ 100 K	> 100 K	Total
PO Count	74,285	44,957	3,540	1,527	124,309
Amount (\$m)	70	353	169	758	1,350

Atlas Transactions (PO) with Value > 100 K



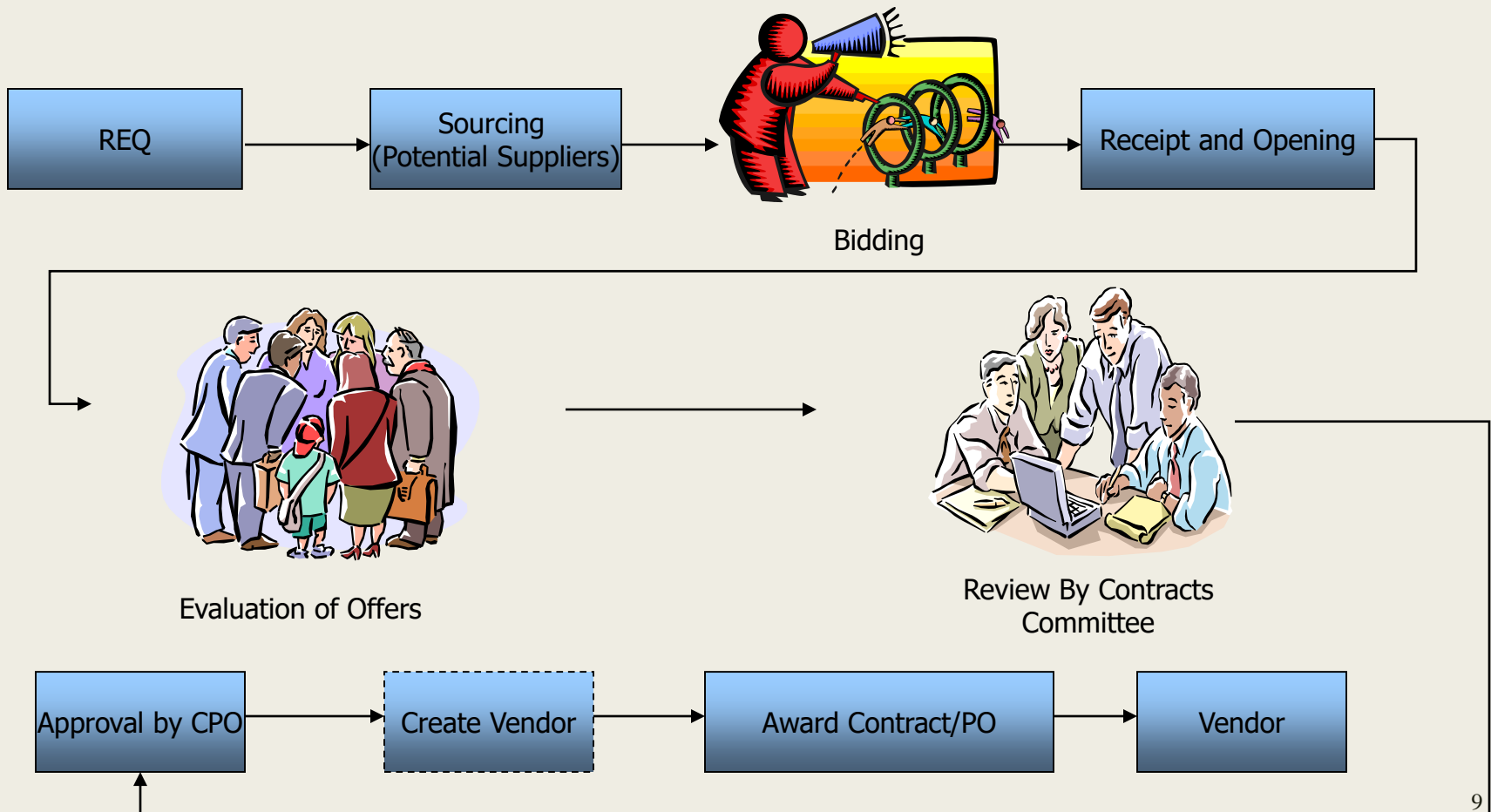
A	AP	AS	EC	HQ	LAC	Grand Total
313	281	116	112	266	439	1527
165	183	85	32	135	158	758

** Note: HQ data includes IAPSO* ⁷

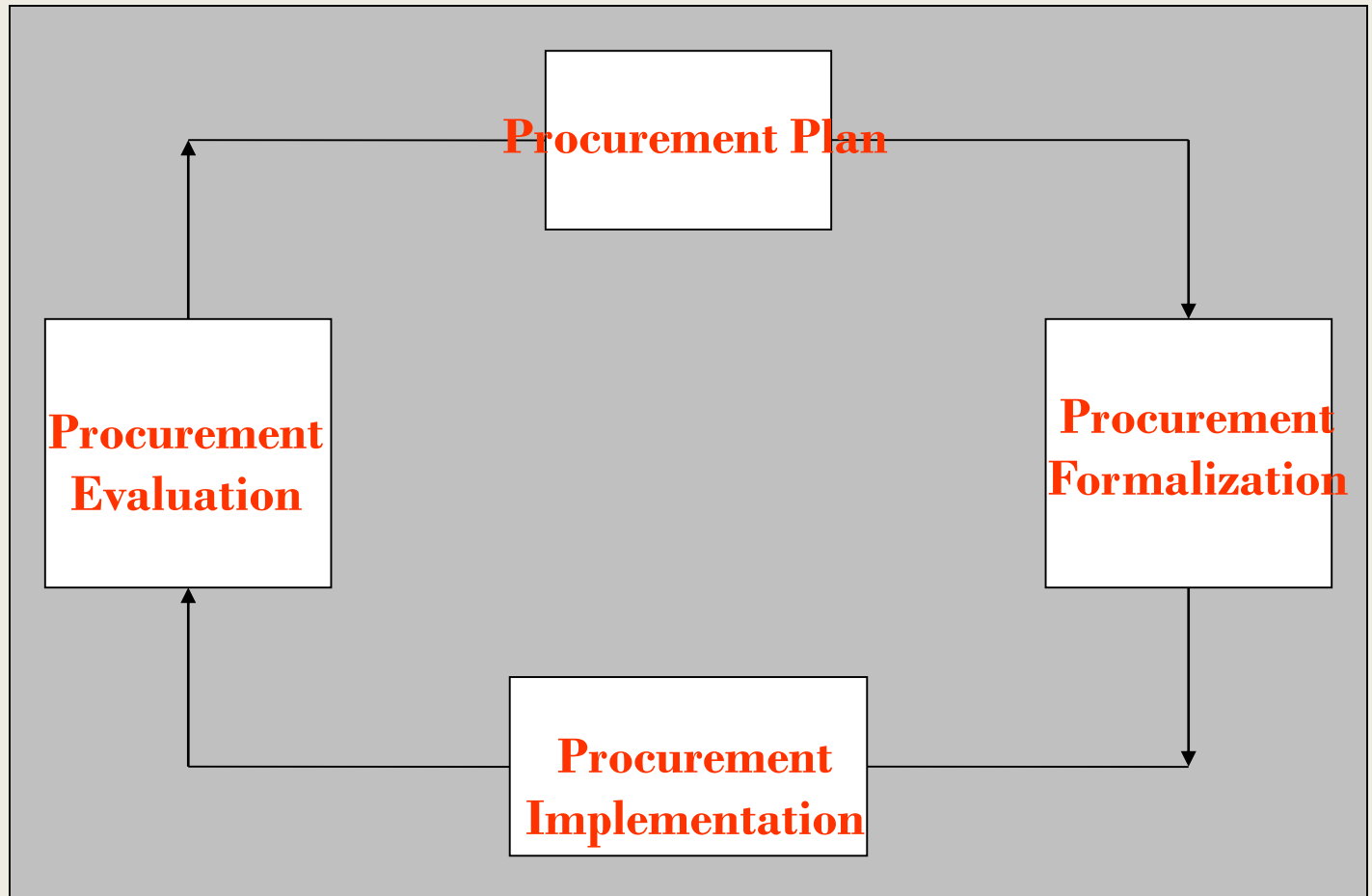
Procurement & Delivery:

- Delivery comprises mainly of following components: Goods, Services, Individual Consultants, Travel, etc. These fall under procurement.
- Procurement is the key pillar of delivery.
- Procurement is presently treated as a mechanical process.
- One needs different type of skill sets to manage different type of goods and services.
- One need market and product knowledge. It is not about 3 quotations.
- It is about partnering with supply sources
- Move from tactical to strategic mode (Presently we spend 100% of our time on fire fighting)

Procurement Chain:



Public Procurement Life Cycle



Procurement Planning:

- This should take place well before taking any purchasing action.
- It should not be limited to specific requisition but part of positioning the procurement unit to best advantage
- The first task is to establish the significance to the buying organization of the purchased items and then to gain an understanding of the market conditions.
- This require the use of following three techniques
 - *Supply Positioning*
 - *Supplier Preferences*
 - *Vulnerability management*

Procurement Plan:

- A procurement plan describes which product will be acquired from vendor as well as when and how they will be acquired.
What, When, How
- Template
 - *Items to be procured*
 - *Evaluation criteria*
 - *Procurement Method*
 - *Schedule/ Date of delivery*
 - *Ownership rights of the source code*
 - *Ownership rights of the production*
- One of the major initiative to improve procurement system

Procurement Planning

Procurement planning, prior to any action taken in Atlas, is essential for the timely solicitation of quotations, bids or proposals; the award of contracts; and the delivery of inputs. Procurement planning entails more than the selection of a procurement method for various goods, works and services and when to schedule activities, but combines the legal and institutional frameworks in which procurement must be carried out. Business Units should consider the following:

- Types of goods, works or services required;
- Method of procurement;
- potential sources;
- Estimated costs;
- Source of funds;
- Requisitions;
- Delivery time and place;
- Evaluation criteria;
- Justification for non-competitive procurement; and
- Review of CAP and ACP.

Supply Positioning (Portfolio Analysis):

Supply Positioning provides a mechanism for discriminating between the components of the total purchasing requirements whether goods, works or services, and a tool for developing specific strategies to meet the needs of the organization with respect to each group of purchases.

Supply Positioning

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STRATEGIC SECURITY	STRATEGIC CRITICAL
<ul style="list-style-type: none"> ▪ Few major sources ▪ Few alternatives ▪ Q/S/R critical ▪ Low value 	<ul style="list-style-type: none"> ▪ Few sources/monopoly ▪ High cost ▪ Q/S/R critical ▪ No alternatives
TACTICAL ACQUISITION	TACTICAL PROFIT
<ul style="list-style-type: none"> ▪ Many sources ▪ Many alternatives ▪ Low value 	<ul style="list-style-type: none"> ▪ Many sources ▪ Many alternatives ▪ High cost

RELATIVE COST

Purchasing Goals

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STRATEGIC SECURITY	STRATEGIC CRITICAL
<ul style="list-style-type: none"> ▪ Ensure supplies ▪ Cost insensitivity ▪ Frequent review 	<ul style="list-style-type: none"> ▪ Ensure supplies ▪ Close price management ▪ Continuous review
TACTICAL ACQUISITION	TACTICAL PROFIT
<ul style="list-style-type: none"> ▪ Automate ▪ Delegate ▪ Give low attention 	<ul style="list-style-type: none"> ▪ Profit contribution ▪ Take risks ▪ Seek opportunities ▪ Wheel & deal

RELATIVE COST

Purchasing Action Scenarios

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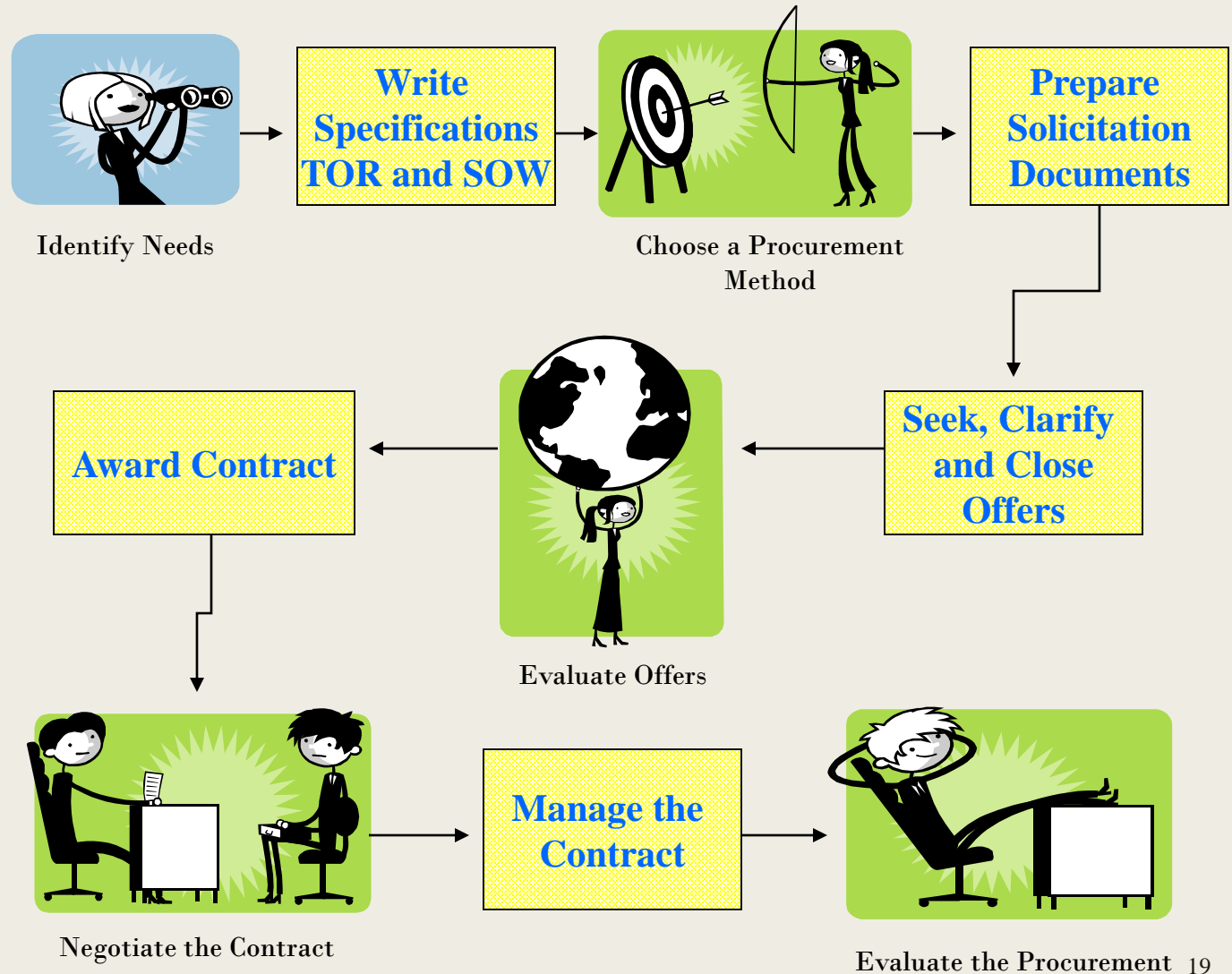
STRATEGIC SECURITY	STRATEGIC CRITICAL
<ul style="list-style-type: none"> ▪ Long term contracts ▪ Buffer stocks ▪ Price indexation ▪ Find alternatives ▪ Contingency planning 	<ul style="list-style-type: none"> ▪ Medium or long-term contract ▪ Supplier information ▪ Supplier development ▪ Price management ▪ Continuous review
TACTICAL ACQUISITION	TACTICAL PROFIT
<ul style="list-style-type: none"> ▪ Simple purchasing procedures ▪ Systems contracting ▪ Stockless purchase ▪ Cash purchases 	<ul style="list-style-type: none"> ▪ Short-term contracts ▪ Active sourcing ▪ Market knowledge ▪ Price determination

RELATIVE COST

Risk Management

- Risk is part of the procurement environment
- It involves systematic identification, analysis, treatment and where appropriate accepting the risks
- Agreements to limit a supplier's liability to UNDP and third party (Indemnity. Guarantee, warranty)

Risk Management



Risk Management:

- Key to effective and efficient delivery
- This should be integrated in day to day management
- More important when we are moving from “arms length” to “partnering”
- Typical Risk factors: Buyer risk factors, Supplier Risk Factors, Contractual relationship risk factors, External risk factors
- Tools and techniques for managing risks: (Risks, Likely consequences, what to do)
 - *Identifying the need*
 - *Developing the specifications*
 - *Contract documents*

Risk Management:

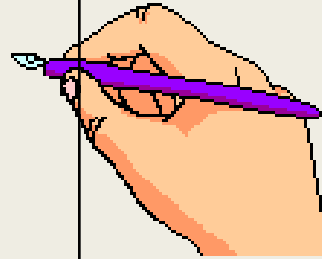
- Selecting a procurement method
- Seeking, clarifying and closing offers
- Identifying the preferred supplier
- Evaluating Offers
- Negotiating the contract
- Managing the contract
- Evaluating the procurement process
- Disposals
- Impact of each of the above on cost, timetable, user acceptability, integrity and competence

Risk: Identifying Needs

Risk	Cost	Delivery	Ethics
Overstatement of Needs.	V	V	N
Understatement of Needs.	V	V	N
Insufficient Funding.	V	V	N
Impractical Timeframe for Supply.	V	V	N
No Available Solution.	V	V	N
Fraud.	V	V	M

Risk: Writing Requisitions

	Areas of Consequence		
Risk	Cost	Delivery	Ethics
Narrow/ Biased Specifications	V	V	M
Definition of Inappropriate Product.	V	V	N



Risk: Solicitation Documents

Risk	Cost	Delivery	Ethics
Terms and Conditions Unacceptable to Suppliers.	V	V	V
Uncertainty amongst Contracts due to Conditions of Contract.	V	V	V
Provision of Inadequate Information.	V	V	V
Biased Requirements.	V	V	V
Inadequate Requirements.	V	V	V

Risk: Procurement Method

Risk	Cost	Delivery	Ethics
Failure to Identify Potential Sources.	M	V	V
Lack of Market Research.	M	V	V
Supplier Monopoly.	M	V	V
Selection of Inappropriate Method.	M	V	V

Risk: Seek, Clarify and Close Offers

Risk	Cost	Delivery	Ethics
Failure to Adequately Address Suppliers' Inquiries.	N	M	V
Actual or Perceived Favoritism in Providing Information.	N	M	V
Breach of Confidentiality.	N	M	V

Risk: Evaluation of Offers

Risk	Cost	Delivery	Ethics
Failure to Observe Effective Evaluation Procedures.	V	V	V
Breach of Confidentiality.	V	V	V
Failure of Offers to meet Needs.	V	V	V
Failure of Evaluation to Identify a Clear Winner.	V	V	V

Risk: Award of Contract

Risk	Cost	Delivery	Ethics
Selection of Inappropriate Supplier.	V	V	V
Selection on Inappropriate Product.	V	V	V
Insufficient Number of Responses.	V	V	V
No Response from Known High-Quality Suppliers.	V	V	V

Risk: Negotiate the Contract

Risk	Cost	Delivery	Ethics
Unmatched Expectations of Buyer and Supplier.	V	V	V
Deadlock on Agreement.	V	V	V
Undue Concession to Suppliers.	V	V	V
Failure to Accommodate Standard Conditions.	V	V	V
Grossly Unfair or Onerous Requirements.	V	V	V
Failure to Reflect the Terms Offered and Agreed in the Contract.	V	V	V
Inadvertently Creating a Contract without Proper Approvals.	V	V	V

Risk: Evaluate the Procurement

Risk	Cost	Delivery	Ethics
Failure to Assess Supplier's Performance.	N	N	V
Failure to Assess the Process.	N	N	V
Loss or Damage of Goods in Transit.	N	N	V
Fraud.	N	N	V

Risk: Managing the Contract

Risk	Cost	Delivery	Ethics
Variations in Price and Currency Fluctuation.	V	V	V
Unwillingness of Supplier to Accept the Contract.	V	V	V
Failure of Either Party to Fulfill the Contract.	V	V	V
Inadequate Administration of Contract.	V	V	V
Acceptance Before Completion.	V	V	V
Increase in Scope of Work.	V	V	V
Intellectual Property.	V	V	V
Third Party Liability.			

Oversight Tools:

- Review by CAP & ACP
- Review of CAP reports
- Procurement Audit
- Documentation submitted for increased procurement authority
- Roving Procurement Officers

Procurement Oversight:

- Key purpose is to mitigate risks
- Compliance with FRR and Procurement Manual
- Scope of oversight covers mainly following
 - *Requirements/SOW/TOR/Specifications*
 - *Quality Requirements*
 - *Procurement Process: Transparency, Method, Evaluation Criteria, Conflict of interest if any*
 - *Payment Schedules*
 - *Shipping Terms and insurance*
 - *IP, Type of Contract, Availability of funds, CAP report*

Scope of ACP Review

Objective: Mitigate Risk

- Procurement Process: Transparency, Method
- Specification/TOR/Quality
- Availability of Funds
- Value for Money/Cost Details/Consulting Fee
- Evaluation Modality
- Performance Security/Warranty
- Shipping/Insurance
- Licensing/Copyrights
- Use of LTA
- Type of Contracts
- Payment Terms

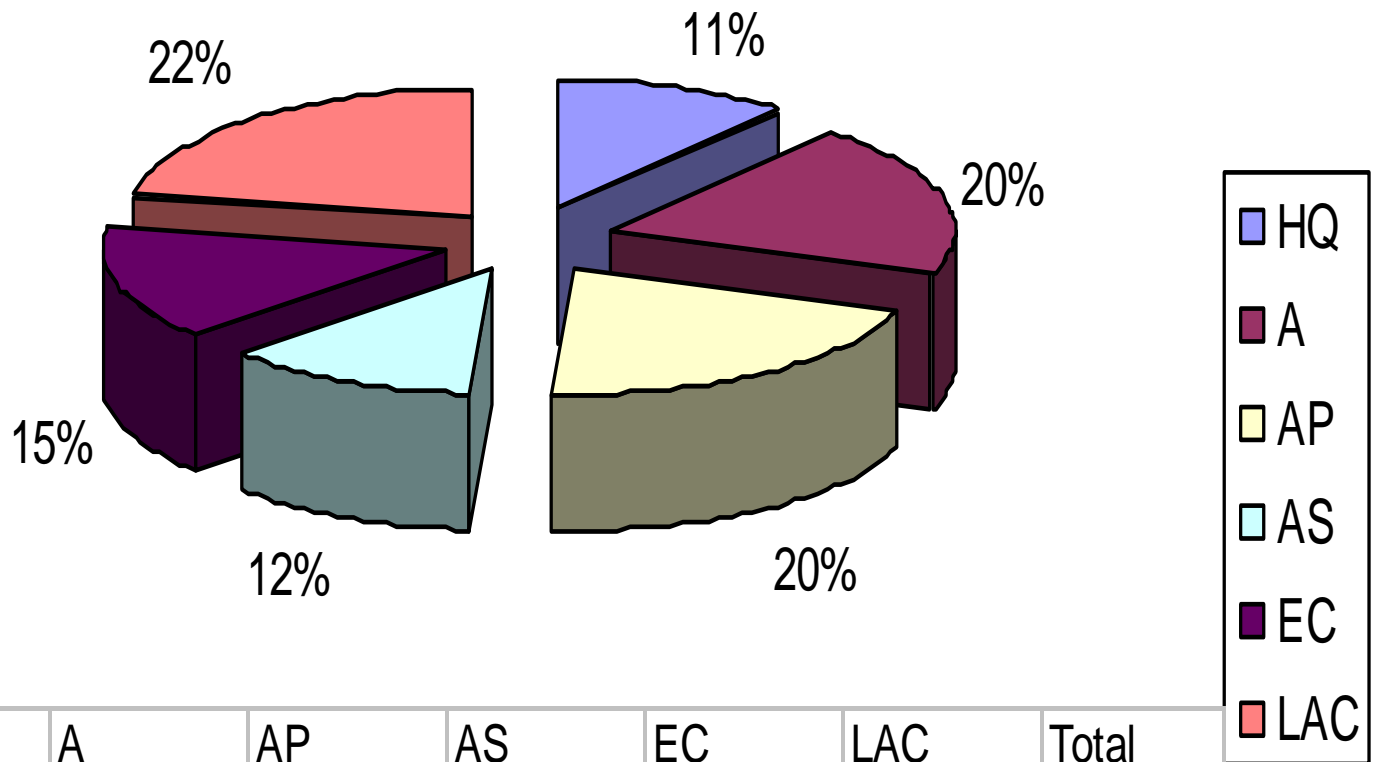
Advisory Committee on Procurement

- Established by CPO to oversee major contracts
- Review contracts which involve commitments to a supplier with respect to a single requisition or series of req in a calendar year valued at \$100,000 or more
- Proposed contracts which generate income of \$10,000
- Any amendment of a contract previously reviewed by ACP where the contract amendment or a series of amendments either increases the total amount by 20% or \$100,000 whichever is less.
- Any amendment not previously submitted to the ACP where the revised total contract amount exceeds \$100,000.

ACP:

- Proposed contract that leads to series of contracts amounting more than \$100,000.
- Disposal, Write-off or transfer of goods with asset value \$30,000 or more
- All vehicle accidents or losses when gross negligence is the cause.
- Procurement of services related to individual consultants with contract amount exceeding \$100,000.

ACP Submissions 05



HQ	A	AP	AS	EC	LAC	Total
99	175	181	107	132	198	892
40 m	154 m	158 m	119 m	32 m	96 m	599 m

Common Reasons for Rejection

- Failure to undertake a competitive exercise
- Impermissible justification for waiver
- TOR or Statement of Works or Specifications incomplete
- TOR or Statement of Works or Specifications too restrictive or biased
- Incorrect evaluation methodology or criteria
- Failure to submit requested documentation for ACP review
- Conflict of interest
- Value for money not obtained
- Incorrect procurement method used
- Incorrect shipping terms cited

Key Observations:

- SOW/TOR not clear, Biased/ Inadequate specification or specific requirements or brand names
- Evaluation Criteria does not cover all the deliverables and do not provide sufficient weight as per their importance
- Wrong Procurement Methodology
- Use of NGOs for procurement
- Advance Payment on the very high side
- Process too mechanical, Market research missing
- Insufficient number of responses
- Evaluation of Offers not done well

Oversight at a Glance:

- Number of cases from RBLAC: 265
- Number of cases from RBAP: 236
- Number of cases from RBA: 205
- Number of cases from RBEC: 75
- Number of cases from RBAS: 89
- Number of cases from HQ units: 138
- Number of cases withheld for approval: 31%
- Number of cases if “subject to” is included: Nearly 55%

Procurement certification

- Course has been designed in-house by OLPS
- Addresses basic procurement policy and standard Atlas Procedures.
- Objective: 1.Enhance learners' comprehension of UNDP procurement policy and processes 2. Increase the level of competence utilizing the Atlas Applications.
- Target group is “Buyer”
- Online programme (6 hrs for online course and 2 hours for the exam.)
- Course managed by LRC
- Status:
 - *Number of people enrolled:731*
 - *Number of people who have passed simulated assessment: 345*
 - *Number who took official assessment: 321*
 - *Number who passed: 220*

Procurement Dashboard Indicators

General Rating		
Procurement Volume		
Procurement Volume		30,000,000
Purchase Order Raised	Count	1345
	Total value	20,000,000
non-PO Vouchers above 2,500 (USD)	Count	400
	Total value	980,000
NEX Procurement		20,000,000
DEX Procurement		10,000,000
Agency Procurement		0
High value transactions (PO)		
30,000 ~100,000	Count	6
	Total value	180,000
> 100,000	Count	3
	Total value	300,000
Low value transactions (PO)		
+ Overall		35%
Process Time		
+ Management of Direct Payment (non-PO)	6 days	
+ Management of Payment (PO)	14 days	
+ Lead Time		10/7
Procurement Plan		
Submission of Plan		Yes
Approval of Plan		Yes
Advisory Committee on Procurement		
Quality of Submissions	+ Total	6
Delegated Procurement authority		50,000 (USD)
POs issues between 100,000 and Delegated Authority	Count	3
	Total value	170,000
POs issued above delegated authority	Count	6
	Total value	600,000
Procurement Capacity		
Number of staff with buyer profile		8
Number of staff Certified		5

Global Fund Procurement:

- Procurement forms nearly 80% of the project amount.
- Focus is on HIV/AIDS, Malaria and TB
- UNDP is involved in 28 countries as PR and for support services in 5 countries
- Total project amount is nearly \$650 m but annual delivery is nearly \$200 m.
- OLPS has one full time Procurement Advisor working very closely with the country offices and major suppliers.
- Major suppliers are IDA, Mission Pharma, CIPLA, UNICEF, UNFPA, IAPSO etc. UNDP has LTA with them.
- OLPS Procurement Advisor is focusing on assisting the country office to improve delivery, help them in transferring knowledge to the counterpart, help them build supply chain.

Long Term Arrangement:

- *LTA offer a number of advantages:*
- *they offer the value for money advantages of centralized procurement without the commonly associated level of bureaucracy*
- *a single tendering exercise over the life of the arrangement reduces administrative effort and cost for the Department*
- *the initial tendering process will have identified competitive suppliers, who should then offer more competitive prices on the basis of the expected value of business*
- *quality assurance and legal requirements will have been dealt with at the outset*
- *Completion Report*

Long Term Arrangements:

- *call-offs are covered by UNDP Standard Terms and Conditions combined with special terms and conditions appropriate to the items being procured and will, in general, provide better protection than individual small purchases under the supplier's standard conditions*
- *the agreed range of items or services should be at short notice thus reducing or avoiding stock holding for goods and reducing down-time on equipment maintenance and repairs*
- *the supplier benefits in terms of planning stock levels and continuity of supply*
- *a mutually beneficial longer-term working relationship can be established with suppliers*
- *Call-off create legal obligation and not LTA*

Purchasing Card:

- Tool for procurement of low value contracts i.e. less than \$2,500.
- Aims to reduce petty cash and number of payment transactions.
- Monthly limit set at \$10,000
- Can't be used for procurement of assets.
- Facilitate P2P.
- No transaction fee
- Payment cycle 30 days.

Procurement Process:

- Planning is not an analysis but identifying the activities and direction of activities
- Formalization phase determine the sourcing approach, evaluation criteria and solicitation documents. It formalizes the requirement based on budget
- Implementation covers all functions that pertain to the acquisition, including description of requirements, selection and solicitation of sources, preparation and award of contracts, and all phases of contract administration. It may also include logistics.
- Final phase consists of audit, evaluation and feedback

Tips on writing an effective SOW

- Be clear-use simple, direct language.
- Use active, not passive tenses (The seller shall conduct the test as opposed to a test should be conducted---, language is the dress of thoughts)
- Spell the buyer's obligation carefully
- Provide a ceiling on the extent of services
- Identify all constraints and limitations
- Include standards that will make performance measurement possible and meaningful
- In case of goods, focus should be in providing functional and performance specifications

Purchasing a service:

- Services are more difficult to evaluate than goods. Goods have objective standards
- Supplier of services are often reluctant to provide benchmark
- Excellent services are easy to monitor but mediocre or poor services are difficult to evaluate.
- Goods can be returned whereas services cannot
- Poor quality services may continue undetected and cause greater problems
- Because of above differences the reputation and the experience of supplier is more important
- Key purchasing criteria: Reputation, References, Experience, Current Clients, Equipment, price etc.

Purchasing Services:

- Many services such as secretarial and cleaning are often bought as generics. Other services such as application software development , advertising are bought as professional.
- Purchasing is not involved fully in procurement of services
- Word of mouth is the one of the key ways in which buyers of services exchange information.
- There are five roles, Users, Buyers, Influencers, Deciders, gatekeepers
- Market Research, pre-qualification of suppliers
- Interviewing the companies and asking them to make presentation for better clarification before technical evaluation.

Outline of SOW/TOR:

- Background
- Outputs/ deliverables desired
- Inputs to be provided
- Schedule of completion
- Standards by which to measure performance

Other Issues:

1) Use active Verbs (2) Avoid “Should” or”May

(3) Use “Shall” for contractor and “will” for UNDP

Why an RFP?

- In competitive contracting, there are two methods : ITB or a RFP.
- ITB is used when goods or service is well defined and can be specified in detail. Selection solely on the basis of cost.
- RFP is a negotiated procurement process and provides flexibility to the contractor and the company.

Designing an Effective RFP:

“Never tell people how to do things. Tell them what you want to achieve and they will surprise you with their Ingenuity”

Basic Elements of an RFP:

- Statement of Purpose: the nature of the services to be provided and the overall objectives of the contract.
- Background Information: Overview of the program, statistics, existing facilities, an honest accounting of current problems and strengths.
- Service Specification: Sets out in specific and measurable terms the services required,

Basic Elements of an RFP:

How they are to be delivered and the duration they are required.

- Performance Standards: Minimum performance standards and method of monitoring
- Instructions to the Offerors
- General Terms and Conditions
- Special Terms and Conditions
- Evaluation and award process

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Evaluation Factors:

- Key Considerations: Management, Technical and Financial
- Analysis:
 - *What things should be evaluated*
 - *What are their attributes*
 - *Which attributes are relevant*
 - *What is their relative importance*

Best Value: Value of a proposal is the sum of the weighted values of the applicable evaluation factors for award.

Best Value for Money:

To get the best value for money, you must consider costs that the buyer will incur in addition to the Offeror's price, including:

- Cost to administer the contract
- Life-cycle cost of the product
- Quality of the product
- Past performance of the supplier

Value Tree:

- Overall Value
 - *Technical Factors*
 - Reliability
 - Quality
 - *Management Factors*
 - Personnel (Education, Performance, Exp.)
 - *Price Factors*
 - Cost and Fee
 - Realism
 - Reasonableness

RFP: Decisional Rules

- Lowest Priced technically acceptable
 - *Technical factors are used to qualify offerors*
 - *An offer is either acceptable or not*
 - *Price is the only factor for decision*

- Best Value:
 - *Define the factors that contribute to value*
 - *Relative Importance of each*
 - *How to measure the value of individual factor performances*

Execution Modality:

- DEX: Under this we treat all vendors and NGOS as contractors
- NEX: Ensure that procurement rules complies with the best international practices.
- Country Office Support to NEX. (Follow UNDP Guidelines)
- NGO Execution
- UN Agency Execution
 - *Implementer-*

Procurement Accountability:

- **Definition:** The accountability in procurement means that staff is responsible for actions and decisions that they take in relation to procurement and for the resulting outcomes. The staff is accountable through established lines of accountability.
- **How does accountability help?** The accountability encourages the efficient, effective and ethical use of the organizational resources. This is the main watchword for UNDP procurement process.
- **Fundamental elements of Accountability:**

Accountability:

- **Procurement Policy:**
- **Documentation:** *It is important and provides record of procurement activities. This need to be strengthened.*
- **Disclosure:** *Annual procurement plan must be published to provide confidence.*
- **Notification:** *The revised procurement plan calls for publishing all major procurement notices and award of the contract. This is being followed to a limited scale.*
- **Dealing with complaints:** *The procurement protest procedures*

Procurement Ethics:

- Conflict of interest: A conflict of interest may exist when a staff is involved in an activity or has a personal interest that might interfere the objectivity in performing the function. (Code to guide relationship) It can arise:
 - *When an staff takes outside employment or has financial interest*
 - *When personal relationship with staff of other business entity could influence the decision.*
- Gifts and Gratuities:
 - *May not accept gifts or gratuities from any supplier for themselves or for their family*
 - *May not take advantage of their position to seek discounts on procurement for personal use. This is construed as a gratuity*
 - *May accept advertising novelties.*

Procurement Ethics:

- Integrity:
 - *Open and effective competition*
 - *Environmental sustainability*
- Ethics vs. Compliance (Ethics encourages responsible conduct and compliance prevent misconduct; Ethics is self imposed)
- Code of conduct (Established in the new CAP User Guidelines)
- Ethical belief is a personal choice, however ethical conduct can be mandated by an organization.
- Ethics are moral boundary or values within we work

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Asset Management:

- What is asset?
- Types of assets: Capital and non-capital
- Profiles of assets
- Who can add/ retire assets?
- Theft and loss of assets
- Tracking of assets
- Assets for management and development project
- Major concerns of external auditors
- Disposal: Clearance by CAP/ACP

Procurement and the Law:

- Why Have conditions of contract: Goodwill
- Formation of Contract
 - *Offer, Acceptance and Consideration (battle of Forms)*
 - *Oral Contract*
- Contract Performance (Fulfillment of according to its terms)
 - *Delay in supplier's performance*
 - *Liquidated Damages*
 - *Termination of Contract*
 - *Force Majeure (French Term: Unexpected event)*
- Rights and Obligations of buyer and seller

Procurement & the Law:

- Securing Contract Performance
 - *Warranties*
 - *Performance Guarantees*
 - *Inspection*
- Termination and Remedies:
- Settlement of Disputes;
 - *Negotiation*
 - *Arbitration (UNCITRAL)*
 - *Litigation (Judicial Contest)*

Procurement & Law:

- How is contract discharged?
 - *By performance, Substituted contract, Time, Termination, Bankruptcy*
- Intellectual Property
- Letter of Intent;
- Payment Terms; Performance Security
- Remedies for lateness or failure to perform to specification
 - *Liquidated Damages*
 - *Time is of the Essence(Time of performance shall be essence of this contract) Any delay converts into breach of contract*
 - *Force Majeure*

Contract Format:

- Purchase Order
- Professional services contract
- Institutional Services Contract
- SSA
- SC
- RLA
- Civil works Contract
- Long Term Arrangement

Practical Tips:

- Procurement must be framed with clear and accurate clients requirements and appropriate evaluation process.
- If there is one thing you have to get right, it is evaluation methodology. Once its is put out, you have crossed the rubicon.
- Purchasers must be scrupulous in ensuring fairness of the process, even if it means issuing an addendum or clarification to all vendors.
- Bid closing time is the closing time-being late means automatic disqualification.
- Vendor must be legal and viable business entity
- Evaluation team should comprise of multidepartment team –no conflict of interest

Practical Tips:

- Hard work at the start pays off for both buyer and seller
- While developing specifications, determine if the requirement is a mandatory requirement i.e. must meet for consideration of offer.
- Benchmark the each specific requirement. Suppose you give 10 marks to a point, what benchmark the vendor will have to meet.
- Purchaser should act as a non-voting member to give guidance on procedural matters.
- Purchaser will invite end users and other knowledgeable persons to participate
- Evaluation panel should comprise of either 3 or 5 members.
- Best value concept (Combined Scoring Concept)

Contracting Do's & Don'ts:

■ Risk Assessment

- *Be aware that each contract has a finite amount of risks that is acceptable*
- *Focus should be shift as much risk to supplier*
- *Don't use the supplier terms and conditions*

■ Contract Methodology

- *Determine the contract type that mitigates risks*
- *Don't overlook the importance of TOR*

■ Contract Execution

- *Include your T&C in RFQ, ITB & RFP*
- *Have the supplier sign and return the RFP as a pre-requisite for being awarded business.*

Contracting Do's & Don'ts

- SOW
 - *Incorporate the SOW as an addendum*
 - *It should state expectation in terms of quality, performance, delivery and so on*
 - *This is accurate representation of deliverables*
- Keep it Simple: Should stay away from attempts to draft legalese. Leave it to legal department
- Post Contract Processes
- Online Contracting
 - *Take advantage of online contracting for low value procurement*
 - *Don't forget to check T&C*

Contract Administration:

- Def.: Those activities and actions taken by the buyer and supplier during the time from contract award to contract closeout. They may include follow up, expediting and supplier management function.
- Issues to be addressed: Inspection procedures, penalties for non-conformance, Payments, rejection, termination, debriefing, procurement protests, PO closing in Atlas, claims for losses, consultants charging billable hours without measurement of progress, new person being assigned, substitution of products etc.
- Step One: Ensure that there is a designated contract administrator
- Step 2: Define the duties of the contract administrator and assist in developing contract administration plan

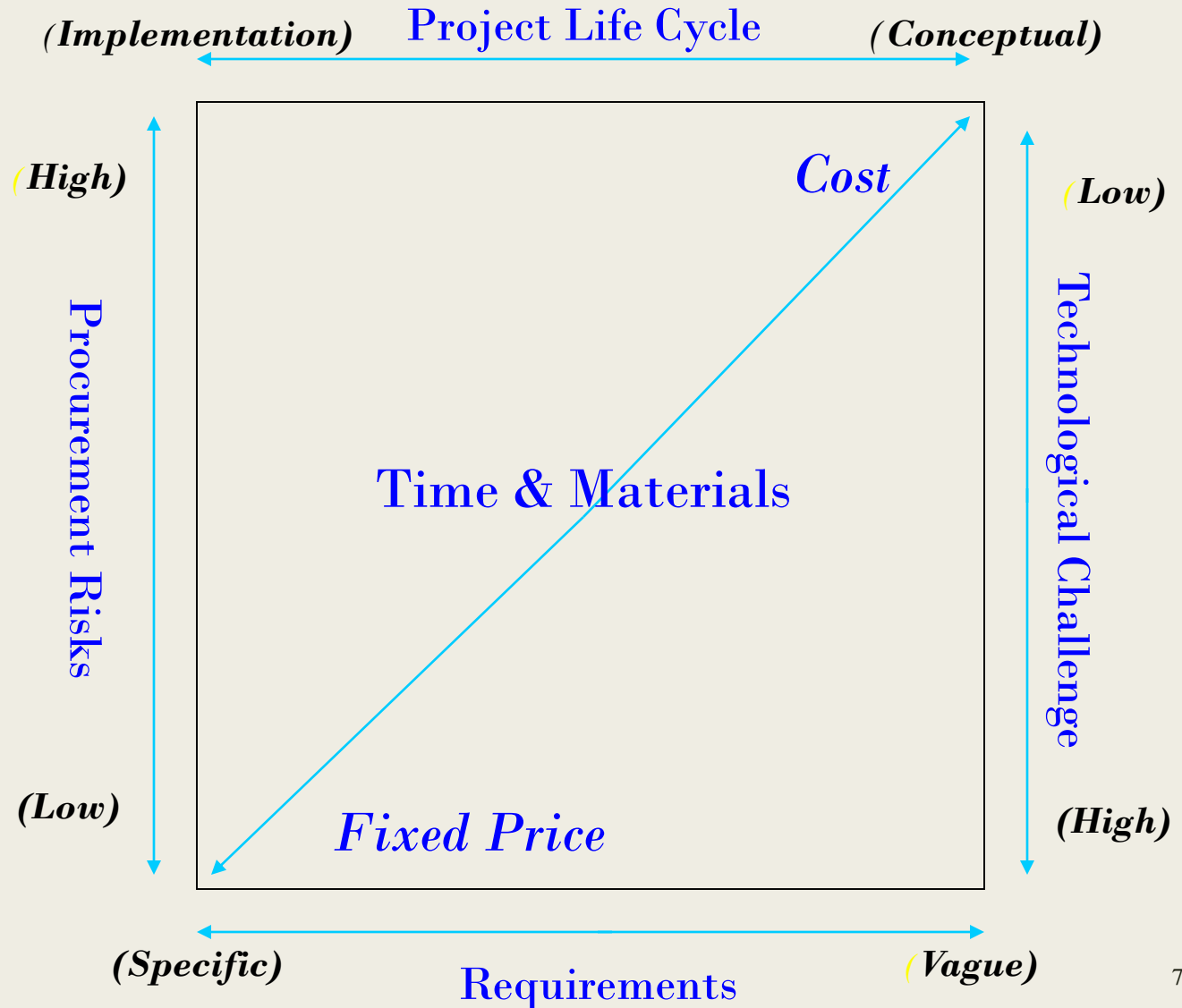
Contract Administration:

- Step 3: Perform random checks. Non-compliant situations must be identified.
- Step 4: Ensure good communication
- Step 5: Participate in the contract renewal or rebid decision. Enter the vendor rating and close the PO in Atlas.

Contract Types:

- Fixed Price Contract (Lump Sum)
 - *Requirements are well defined*
- Time and Materials Contract (Fixed Unit Price)
 - *Major cost elements are known but quantities not defined, Ceiling Price, per-hour labor rate, terms for reimbursing direct material costs*
- Percentage Contract
- Cost Reimbursement
 - *Requirements are too vague*
 - *Ceiling Price*

Selection of Contract Types



Procurement Certification:

- The course entails 6 hours of learning
- Passing marks: 80% Minimum
- Test comprises of 100 questions
- Programme will be managed by LRC through LMS
- Site is <http://learning.undp.org>

E-Procurement Solution Overview:

- Electronic Attachment (TOR, Specifications, Evaluation Matrix etc.)
- Catalogue Procurement (Direct Connect and local Catalogue): B2B
- Access to external users (NEX and NGOs)
- Cover procurement through Purchasing Card: P2P
- Link to UN WEBBUY as a Direct Connect vendor
- Business Services Procurement (Concept of Commoditizing services- It was alien to many)
- Move from tactical to strategic function
- We live in “e” world
- Track the procurement cycle

Requisition Cycle for: Chun Chen

Business Unit:

UNDP1

Requisition Name:

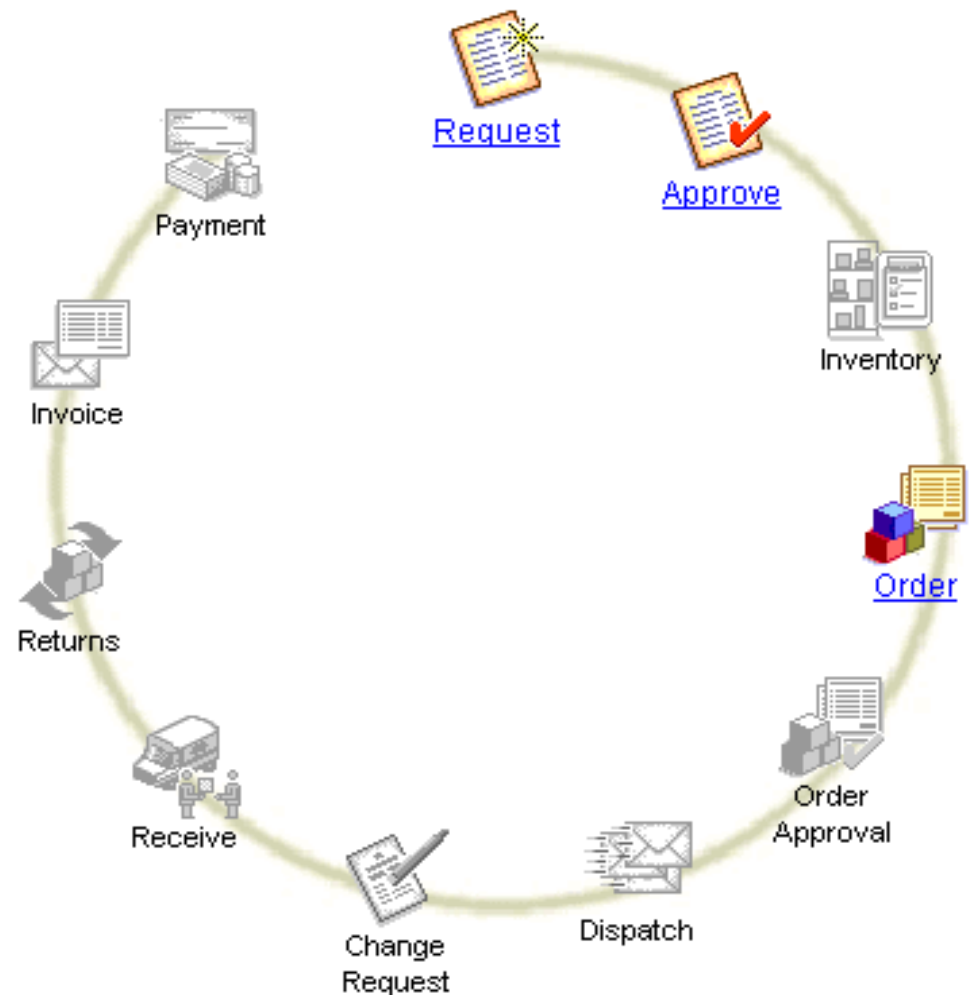
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Date Entered:

22/03/2006

Date Last Changed:

22/03/06 4:39:12PM

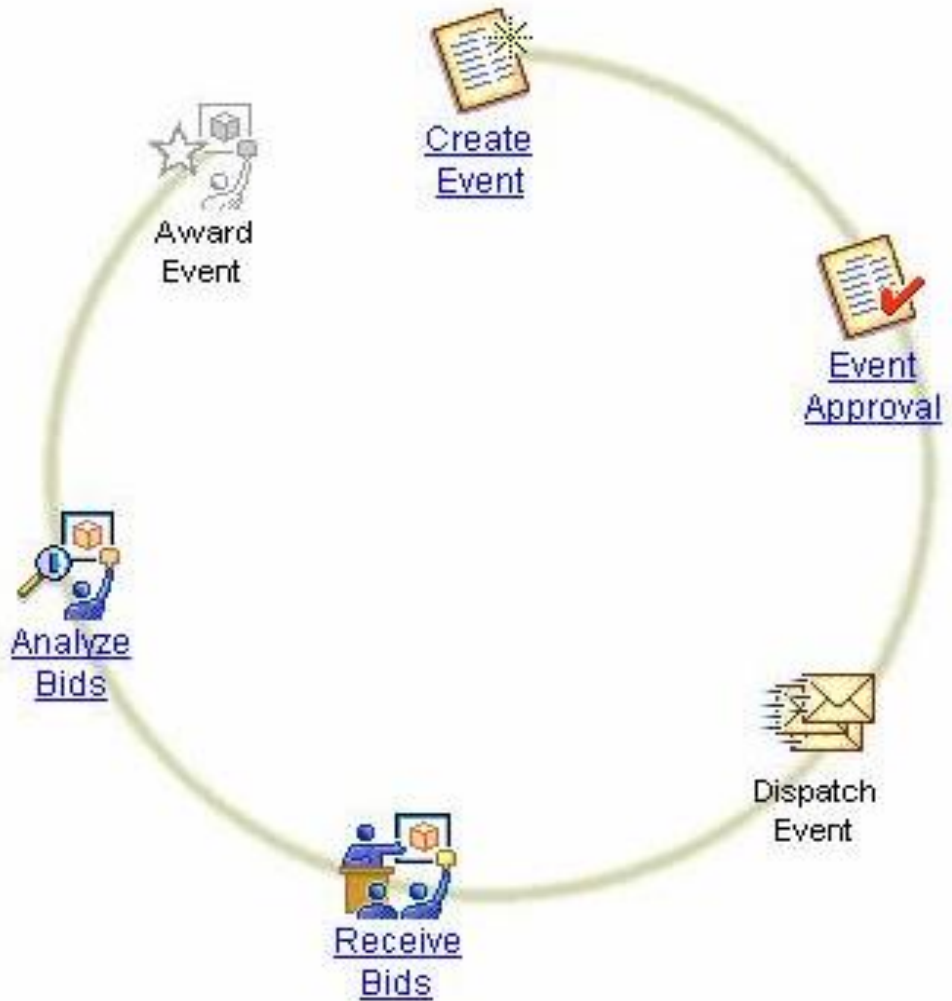


[Manage Requisitions](#)

[Manage Approvals](#)

Event Cycle for: madhu.vegunta

Business Unit
US001
Event Name:
mv test event
Event ID:
0000000005
Start Date/Time:
05/26/2006 6:31AM
End Date/Time:
05/26/2006 6:31AM



[Return to Event Workbench](#)

SSA Guidelines (Draft)

- Tool to hire individual contractors
- SSA shall not be used for staff function.
- As for LTA with companies, individual contractor can be hired up to 3 years(Max.)
- Sourcing of individual contractor will be based on competitive process.
- Selection is based on firstly evaluating technically and then financially.
- Payment is based on number of days/ hours worked.
- Procurement process and not a HR process.
- SSA contractor is covered for Appendix D in defined terms
- There are indicators to decide the consulting fee.

Reference and source

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Thank you!