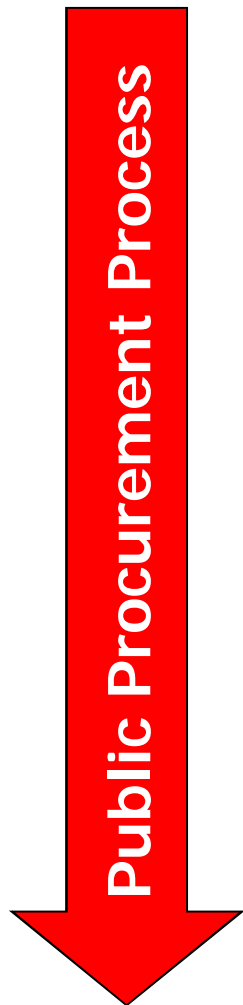


Steps in Procurement Cycle Risk Factors

Steps in Competitive Process

Session: M1-2
Slide No.2/30



Identification of Need, Estimated Cost, Availability

Procurement Planning

Tender/Proposal Documents Preparation

Advertisement

Tender/Proposal Preparation and Submission

Tender/Proposal Opening

Tender/Proposal Evaluation/(Negotiation) /Approval

Notification of Award/Signing

Contract Administration and Management

Risk in Procurement

Session: M1-2
Slide No.3/30

Each Procurement Step is connected with risk

Method:

**Identification
of risk factors**

**Analysis of probability
of risk occurring and
likely consequences**

Action Plan for Allocation & Mitigation of risk:

- **Avoiding, eliminating, reducing**
- **Accomodating**
- **Transfer (insurance, security)**

Risk Analysis

Session: M1-2
Slide No.4/30

**We will go through the Steps in the
Procurement Cycle and discuss
some Risk Factors**

Procurement Preparation

Session: M1-2
Slide No.5/30

**All procurement starts
with good Preparation ...**

Elements of Procurement Preparation

Session: M1-2
Slide No.6/30

- **Identification of needs**
 - Object, quality, quantity, delivery time, place, price

- **Choice of Procurement Method**
 - Contract value (packages, lots)
 - Attracting maximum competition

We'll discuss details of Procurement Planning later on

Risk Factors (examples)

Session: M1-2
Slide No.7/30

- Under-/overstatement of needs
- Misinterpretation of user needs
- Insufficient funding
- Selecting inappropriate procurement method
- Insufficient knowledge of Market
- Lack of offers from suitable tenders
- Under-estimating costs & time frame

***More risk factors –
Actions for allocation/mitigation – discuss!***

Reducing Risk – Action

Session: M1-2
Slide No.8/30

- **Analyse need accurately**
- **Improve consultation with users**
- **Make careful cost estimation**
- **Carry out Market Analysis and
communicate (objectively)
with potential tenderers**
- **Use functional and performance requirements**
- **Obtain appropriate budgetary approvals
before undertaking the process**

Next step: Design & Specification

Session: M1-2
Slide No.9/30

Main purpose:

- **Clear, unambiguous standard descriptions compliant with PE requirements**
- **Enough information for tenderers to prepare offer and tender price**
- **Equal opportunity to all suppliers**
- **Opportunity for alternate technology**
- **Enable evaluation against defined criteria**

In particular: No Trade Marks

Session: M1-2
Slide No.10/30

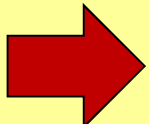
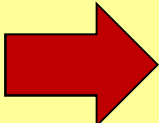
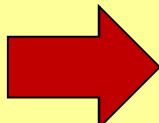
- No reference to a particular trade mark or trade name, patent, design or type, specific country of origin, producer or service supplier **Rule-29(3)**
- Where reference to a brand is unavoidable, the words “or similar or equivalent” should be used **Rule-29(4) (seldom!)**

PE may involve experts

Technical Specifications – Risk

Session: M1-2
Slide No.11/30

Risk Factors & likely consequences:

- **Narrow definition, commercial specification**
 **few tenders, not most suitable product**
- **Biased specification**  **inadequate responses, claims of unfair process**
- **Inadequate requirements**  **variety of offers not meeting needs, difficult to evaluate**

Discuss!

Mitigating Actions: Specifications

Session: M1-2
Slide No.12/30

- **Define specification in terms of required outputs – function, performance, terms of need**
- **Ensure specification consistency with needs analysis**
- **Observe budget/resources**
- **Implement a control function to review specification before release**
- **Be familiar with requirements**
- **Get experience!**

Next: Procurement Documents

Session: M1-2
Slide No.13/30

**PE completes STD/SRP etc.
with purchase-specific information**

**Encourage
eligible, qualified
Tenderers/
Applicants to
participate**

**Provide equal
opportunities
and
clear evaluation
criteria**

Risk Factors – Mitigation – Discuss!

Procurement Documents Preparation

Session: M1-2
Slide No.14/30

More on STDs / SRPs will follow

Risk Factors:

- **Terms and conditions unacceptable to tenderers**
- **Providing inadequate information**
- **Confusing tenderers by inconsistent requirements**

Reducing Risk: Documents

Session: M1-2
Slide No.15/30

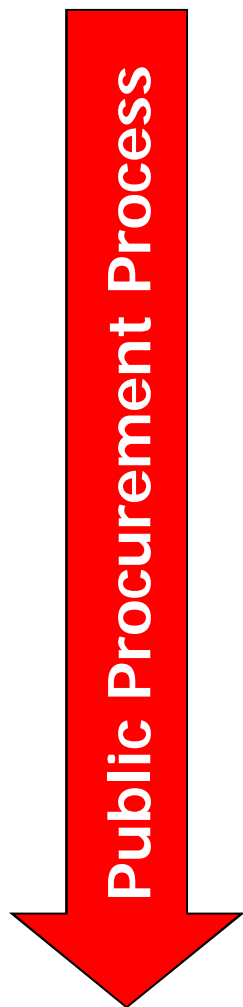
Action:

- **Improve implementation of procurement policies, guidelines and practices**
- **Improve Market knowledge**
- **Seek information (objectively) from potential tenderers**
- **Provide staff with appropriate training**

Steps in Competitive Process (again!)

Session: M1-2
Slide No.16/30

Public Procurement Process



Identification of Need, Estimated Cost, Availability

Procurement Planning

Tender/Proposal Documents Preparation

Advertisement

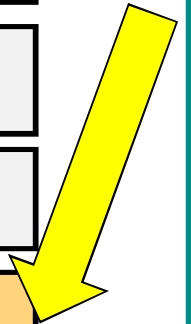
Tender/Proposal Preparation and Submission

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Next step: Tender Preparation/Submission

Session: M1-2
Slide No.17/30

Tenderers' activities:

- May seek **clarification** of Procurement Documents and attend **Pre-tender Meeting** (if held)
- May withdraw, substitute or modify tender **before** deadline
- Tender **forms** completed and signed
- Tender **security** posted
- Tender **submission** right **time**, right **place**

Risk Factors: Tender Prep./Submission

Session: M1-2
Slide No.18/30

- **Failure by PE of adequately answering clarification questions/making answers available to all tenderers**
- **Favouritism by PE (actual or perceived) in answering clarification questions**
- **Breach by PE (actual or perceived) of confidentiality**
- **Low response from suppliers, errors, mistakes**
- **Poor value for money due to limited competition**

Re: Tender Preparation/Submission

Session: M1-2
Slide No.19/30

Your experiences?

Next Step: Tender Opening (TOC)

Session: M1-2
Slide No.20/30

- Tenders shall be opened at the **time and place** specified in the Invitation for Tender (IFT) in **presence** of the interested Tenderers or their authorised representatives
- Persons not associated with the Tender are not allowed to attend the opening of Tenders
- Tender opening shall **not be delayed** on the plea of absence of Tenderers or his or her representatives, as the presence of Tenderers or their authorised representatives is optional
- Information be **read out** to all present and **recorded** in TOS

Tender Opening

Session: M1-2
Slide No.21/30

Discussion

Next step: Tender Evaluation (PE, TEC)

Session: M1-2
Slide No.22/30

- **Preliminary examination:**
compliance, adequacy, authenticity –
incomplete tenders eliminated
- **PE** may seek clarification, not changes in price
or substance
- **Technical examination**, responsiveness
- Evaluation against **criteria**
- **Financial evaluation & price comparison**
- Identification of **successful** tenderer –
Post-qualification

Risk: Tender Evaluation

Session: M1-2
Slide No.23/30

- **Failure by TEC to follow effective evaluation procedures**
- **Breaches of security by PE/TEC**
- **Subjective, not objective evaluation of tenders**
- **Evaluation criteria not clear or identifiable to tenderers – retendering**
- **Post-qualification negative**
- **Selecting an inappropriate supplier – not able to execute contract**

Tender Evaluation

Session: M1-2
Slide No.24/30

Discussion

Last step: Contract Award/Execution

Session: M1-2
Slide No.25/30

PE/Successful-Tenderer activities:

- Notification of award (**NOA**) before expiry of tender validity date (constitute the contract)
- **Accept** from successful tenderer within 7 wd
- **Performance security** posted (within set deadline)
- **Signing** of contract by both parties (confirmation)
- **Execution** following contract terms – No changes

Risk: Contract Award/Execution

Session: M1-2
Slide No.26/30

- **Unwillingness of the supplier/contractor to accept the contract**
- **Performance security not posted**
- **Delays in delivery as per contract**
- **Delivery of unsatisfactory products/materials**
- **Unauthorized increase by PE in scope of work (additional costs)**
- **Loss or damage to goods/materials**
- **Fraud**

Contract Award/Execution

Session: M1-2
Slide No.27/30

Discussion

Two examples:

(1) Hospital X-ray equipment

- Too voluminous to come through the entrance
- No shielding against radiation established
- Flooring too weak
- No educated manpower

(2) Office supplies

- No storage space available

Cases

Session: M1-2
Slide No.29/30

Trainees may have many examples!

More on Risk Management in Module Four