

Methods of Public Procurement

Goods/Works & Services

Slide No.2/59

Differences

Goods/Works

- Product based – physical deliverables
- Open competition, can be with Pre-qualification
- Public opening of Tenders
- Price is a major evaluation factor

Services

- Knowledge based – intellectual deliverables
- Open followed by short-listing
- Non-Public Opening of technical proposals
- Quality is a prime evaluation factor

More follows

Goods/Works & Services

Slide No.3/59

Differences

Goods/Works

- Detailed Specifications
- Single Envelope (Except OSTETM)
- No negotiations (Except Direct Procurement)
- Tender Documents (TD)
- Tender and Performance Securities

Services

- Terms of Reference
- Two Envelope
- Negotiations mandatory
- Requests for Proposals (RFP)
- No such Securities but indemnification

Short-listing is a particular characteristic

Procurement & Contract Strategy

Procurement Methods

Role & Responsibility of PE Choosing Procurement Method

National/International Procurement

Procuring an Object

Slide No.5/59

Investment Process

Initiation



Hand-over & use

A Regulator across the river

Spread-over initiation to hand-over

Key features of strategy

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Basic thinking

- Provides basis for the selection of procurement method and contract type for procurement of a particular object
- Proper choice of delivery and payment system reduces conflicts on procurement of the object

Delivery system matters

Establishing Strategy

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Right requirements

Strategy Builds

on:

Right Object

Right Quality

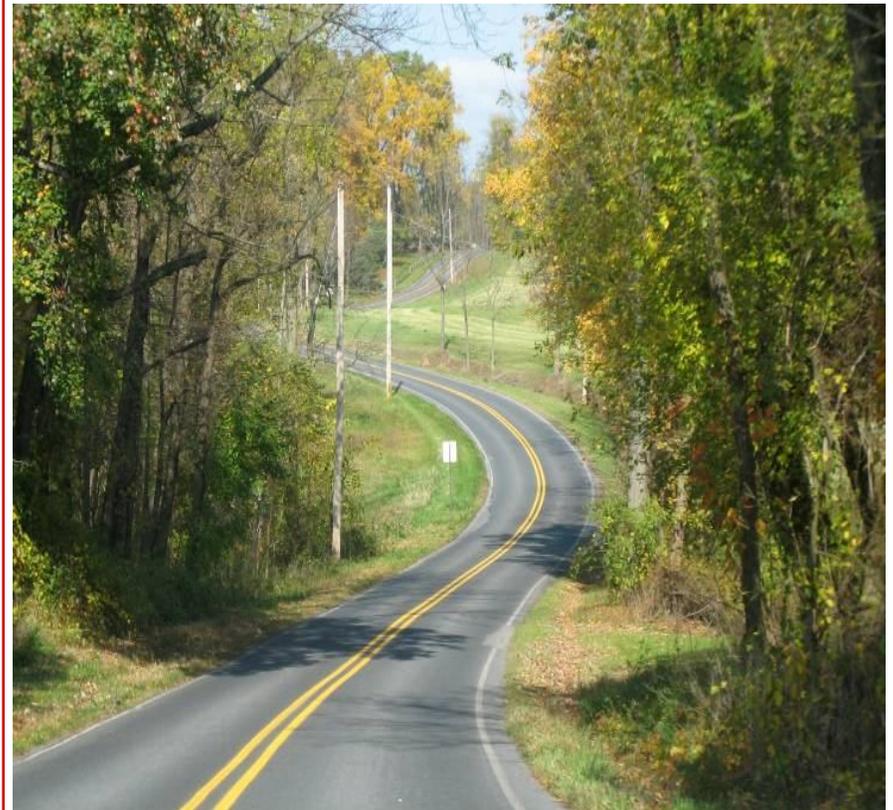
Right Quantity

Right Time

Right Place

Right Value for Money

A Road through the hills



Ultimate outputs

Contract is an Agreement

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Contract is a promise between parties

Contract
Simply expressed as

**“an agreement, enforceable by law,
between a willing buyer and a willing
seller”**

Under law

Contract: Offers and Acceptance

Slide No.9/59

Valid **Offers** and **Acceptance** are precedents to formation of a Contract

Offers & Acceptance
clearly laid out
in
PPA 2006, PPR 2008 and STDs

In our terms **"Tender"** is the offer and **"NOA"** acceptance

What is Procurement Method?

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Act [Section- 31-34 & 37-39]

Procurement Method is the Procedure used in converting requirements or requisitions into Purchase Orders or Contracts

**Established by PPA and elaborated in PPR
(as we heard earlier)**

★ Ensuring Value for Money ★

Rules- 61,62,69,74 & 103,104

Choosing Procurement Method

Slide No.11/59

In choosing procurement method, PE must consider **capacity** of local/national market, **volume** to be purchased and contract **value**

PE decides about item, lot, package

Choosing Procurement Method is closely related to **Procurement Planning**
(more on procurement planning later on ...)

Choosing Principles

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PE must know the **Market** – opportunities, technical solutions etc.



Splitting/Assembling packages

Applicability of the Procurement methods



...considering the **nature & size** of the procurement, by carefully reviewing the proposed procurement activities & issues

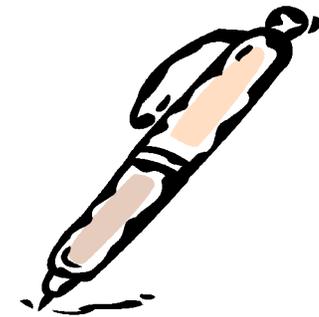
Splitting/Assembling Procurement Objects

Slide No.13/59

Four key terms

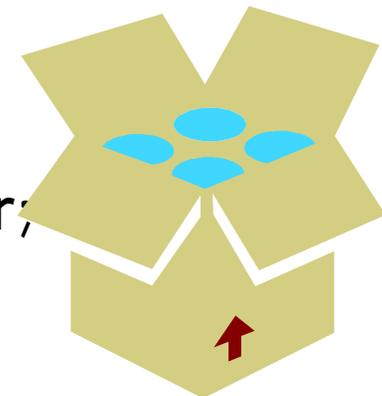
Item

A single article or unit in a list
with an identified quantity ... 1,2,3 etc



Lot

A multiple number of items grouped together;
Any number of items can form a lot

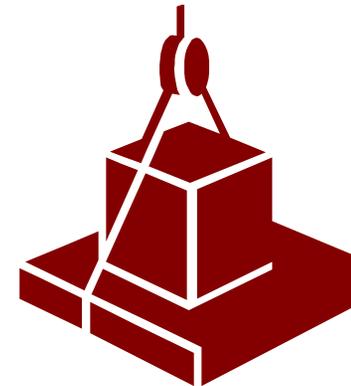


Splitting/Assembling Procurement Objects

Slide No.14/59

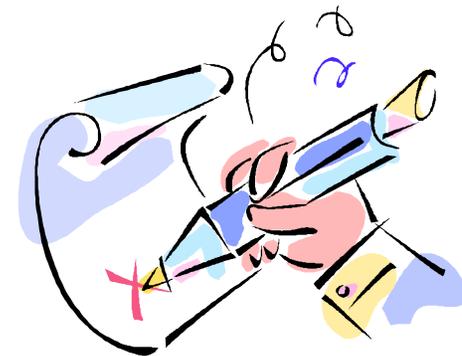
Package

- A multiple number of Lots grouped together
- Usually No package can have more than 5 lots (**Cross discount**)



Contract

Agreement through which the Item/Lot/Package is purchased

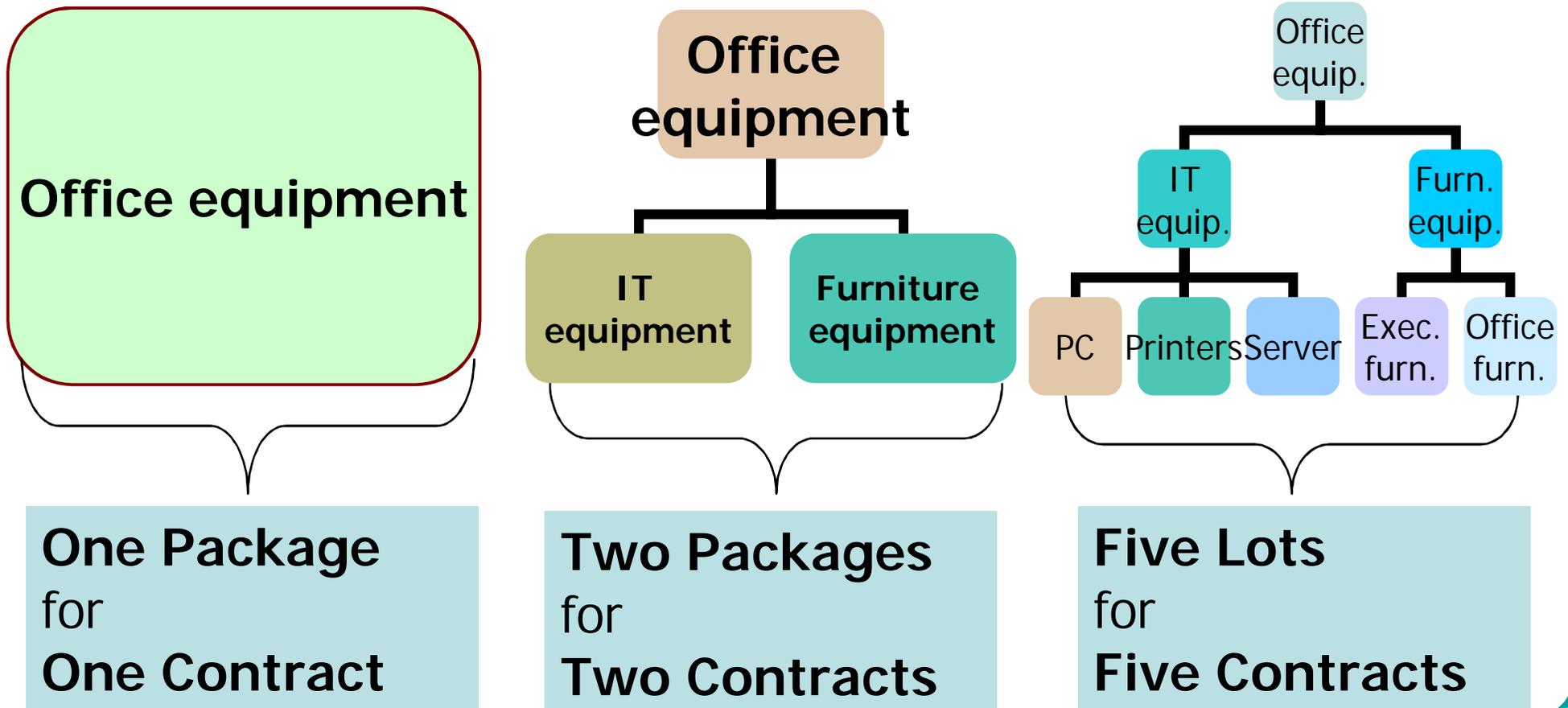


Package/lot options

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Consider the following **Procurement object** as an example:

Office equipment consisting of 36 items, namely 10 PC, 5 Printers, 1 Server, 4 Executive desks, 6 Office desks, 4 Executive chairs and 6 Office chairs



Role & Responsibility of PE

Slide No.16/59

In planning and choosing methodology:

- ❑ PE shall be very cautious in preparing packages, shall not include too many items in one package, in order to ensure that number of potential Suppliers is not reduced
- ❑ Generally, PE shall organize the lot by assembling only those items that are normally supplied by the same range of Suppliers
- ❑ For special supplies (e.g. Health Sector Goods), tenders may be invited on item-by-item basis, in order to encourage participation of manufacturers in the tendering process

Rule- 15 (4), (5), (6)

Packages “few & large” or “more & small”

Slide No.17/59

Grouping into large Procurement Packages

- Benefits from economies of scale – achievement of **economy & efficiency**
- Management aspects (**PE's capacity** to manage the whole project)
- Risk aspect (where failure of a sub-supplier may **unduly affect critical path**)
- Benefits from participation of **large international Tenderers**

Splitting into small Procurement Packages

- Time element (procurement items are **needed at different times**)
- Business structure (some goods or services are **not available from a single source**)
- Administrative **costs of tendering**

Packages “few & large” or “more & small”

Slide No.18/59

What about competition, when preparing packages?

Discuss!

Packages “few & large” or “more & small”

Slide No.19/59

With regard to competition:

- Do large packages improve participation or favour collusion among Tenderers?
- Does grouping items into small lots encourage maximum competition from local suppliers or facilitate Tenderers in 'sharing the cake' ?

Answers to these questions depend on a careful analysis of the underlying **MARKET STRUCTURE**

Remember

Slide No.20/59

- ❑ PE shall **not generally split** a Project into components with the intention of avoiding use of competitive procurement methods or the approval of a higher authority
- ❑ **The total sum value of packages under a Project determines the threshold value to be applied**

Threshold values relate to Procurement Methods

**Now, we'll have a closer look
at the different
procurement methods**

Methods: Goods and Works

Slide No.22/59

Distinct Methods

Goods & Related Services
Works & Physical Services

Rule- 61,62

OTM
Open
Tendering
Method

LTM
Limited
Tendering
Method

DPM
Direct
Procurement
Method

RFQM
Request for
Quotation
Method

OSTETM
One Stage
Two Envelope
Tendering
Method

TSTM
Two-Stage
Tendering
Method

Compliance with the conditions
specified in the Rules

Open Tendering Method OTM: Preferred Method
Competition under transparent and equal terms

Taking into account the thresholds and conditions

Methods: Consultancy Services

Slide No.23/59

Preferred	QCBS	Quality and Cost Based Selection
		Short listed consultants compete on the basis of quality and cost
Preferred	FBS	Fixed Budget Selection
		Simple and specific nature of services with a fixed budget
Prior Approval of HOPE or AO	LCS	Least Cost Selection
		Standard or routine nature, and where the cost of the service is within the prescribed price limit
	SSS	Single Source Selection
		Continuation of on-going or just completed, low value, speedy selection in emergency situation, rare experience/qualification, urgent need (catastrophic event)
	CSOS	Community Service Organization Selection
		Overall knowledge of community needs, local issues and community participation are paramount
	ICS	Individual Consultant Selection
		Qualified individual expert while no team work is required
SBCQ	Selection Based on Consultants Qualifications	
	Very small high quality assignments, preparation & evaluation of competitive proposal is not justified	
DCS	Design Contest Selection	
	Technical excellence and innovation are of prime considerations	

Procurement Methods, Flow- Charts

Slide No.24/59

Rule- 61, 62

- ❑ Processes and proceedings to be followed in performing the Procurement Methods are illustrated in **Flow-Charts** in **Schedule III, part B-F**
- ❑ Time-line, Key activity, Approving Authority are indicated in the **Flow-Charts**

OTM : Key Aspects

Slide No.25/59

Rule- 61

- Invite Eligible Tenderers through public advertisement
- Sell Tender Documents
- make them available on web-site
- Allow min^m time for submission of Tender
- (Urgent National Need: GoB may reduce time)

Open (Competitive) Tendering Method

OTM : Key Aspects (cont'd)

Slide No.26/59

Open Tendering Method may be performed:

Rule- 61

- **With** or **without Pre-qualification** (open)
- In case of Pre-qualification held, **only** Pre-qualified candidates are invited to submit a tender

More on Pre-qualification in next session...

LTM: without Threshold

Slide No.27/59

Rule- 63

1

- **G&W of specialized nature**
- **Available only from a limited number**

Aircraft, locomotives, specialized medical equipment, telecommunication equipments, silos, ports, harbours

2

- **An urgent need for Procurement**
- **Competitive tendering impractical**

Not foreseeable and because of delay

3

- **Policy of standardization**

Computers, laboratory equipment, research equipment

LTM: with Threshold

Slide No.28/59

Rule- 63(2)&(3)

4

From **enlisted** Suppliers or Contractors

➤ Max.Tk. 25 lakh for Goods and related services and **"Stand alone service"**

➤ Max. Tk. 2 Crore for Works and Physical services

If tender price exceeds the specified threshold

Approval of Contract by next higher authority required

Contracts for stand-alone Services may be renewed on annual or term basis, not more than twice

Invitation under LTM

Slide No.29/59

Rule- 64

- For Goods of a specialized nature invite from the potential Suppliers **directly**
- For Procurement under **Rule- 63(2)**, invite Tenders from **enlisted** Suppliers or Contractors
Parallel adv. in PE's website, if any, and in brief in the local publications is **recommended**

Method with Limited Competition

Some provisions for LTM with Threshold

Slide No.30/59

Rule- 63, 64 (below Thresholds)

- ❑ **LTM may be applied:**
 - **when time required and costs of going through OTM are high compared to value of contract**
- **Estimated contract value shall be stated in Bill of Quantities (Works below threshold)**
- **No tender security, no retention money,**
- **Yes, performance security**
- **In case of procurement under Rule 63(2) Lump-sum Tender document may be used on the basis of Activity Schedule**

Direct Procurement Method (DPM)

Slide No.31/59

Rule- 75

FORMS



**Use of DPM is circumstance specific,
more in next session...**

Direct Procurement Method

Slide No.32/59

Rule- 74

- Procurement from **one source**
- Not competitive & not transparent process
- Could encourage abuse or fraud
- **Never** use for **favoring** a supplier/contractor or to **discriminate** among suppliers/contractors

HOPE shall strictly control use of DPM

Forms of Direct Procurement

Slide No.33/59

Rule- 75

Forms of DPM as mentioned ...

- **Direct Contracting**
- **Additional Delivery**
- **Repeat Order**
- **Variation Order**
- **Extra Work Order**

Direct Contracting

Slide No.34/59

Rule- 76

Only one Supplier or Contractor to submit an offer

Proprietary nature which can be obtained only from the proprietary source

Critical plant components according to previously established contract condition

Exclusive dealer or manufacturer which does not have sub-dealers

Direct Contracting

Slide No.35/59

Rule- 76

Only one
Supplier or
Contractor to
submit an
offer

From a Government-owned industry
or factory using government own
funds

SSLI for specialized product,
specification approved by agencies

Not interchangeable with existing
equipment in case of spare parts

Direct Contracting

Slide No.36/59

Rule- 76

➤ Emergency Procurement arising from **Natural disasters** within the thresholds

➤ Very urgent or essential nature, such as transportation services, event management

For above Threshold Section-68 of ACT

Maximum Tk. 50 lakh each case, annual aggregate 5 crore

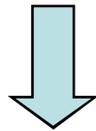
Maximum Tk. 1 lakh or 5 lakh (HOPE) in each case

Direct Contracting

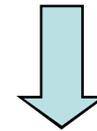
Slide No.37/59

Rule- 76

- **Direct contracting with local communities in projects with poverty alleviation objectives**



**Mentioned in the
Project Document**



**PIC procure small
works, material and
direct labour**

Direct Contracting

Slide No.38/59

Rule-76

- **LGI may, procure small works, goods and direct labour through PIC,SIC,LCS or other**

Following guidelines issued , by the LGD

- **Contracts for stand- alone Services may be renewed on annual or term basis, **not more than twice****

Additional delivery or Repeat Order

Slide No.39/59

Rule- 77

- **Additional** deliveries of Goods & related Services
- Repeat order of **similar nature**
- Contract within threshold as in **Schedule II**
- Most advantageous after price verification
- Following a **competitive** procurement process

Variation (VO) or Extra Work Orders

Slide No.40/59

Rule-78

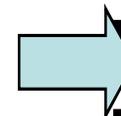
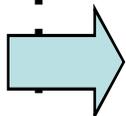
VO/EW for Works under the purview of DP



Any increase or decrease in quantities, introduction of new work items

New works, not included in the original contract

Procuring Entity



Original Contract or

Due to change of plans, design

Unknown physical conditions at the site

Financial Threshold

Slide No.41/59

Rule-77 & 78

1

Additional Deliveries of Goods and Repeat Orders

2

Variation or Extra Work Orders

Exception

Exceptional cases urgently necessary to complete

15% of the original Contract price

Beyond 15% approved by higher than the Approving Authority who approved the original contract

Request For Quotation Method: Definition

Slide No.42/59

Act [Section- 32]

"Quotation" means the priced offer in writing received from Tenderers/Suppliers for the procurement of readily available standardised Goods, Works or physical Services subject to the financial limitation as prescribed by the Rules

- unit rate
- lump sum
- cost + fee**

Request For Quotation Method (RFQM) Rules [Rule- 69 to 73]

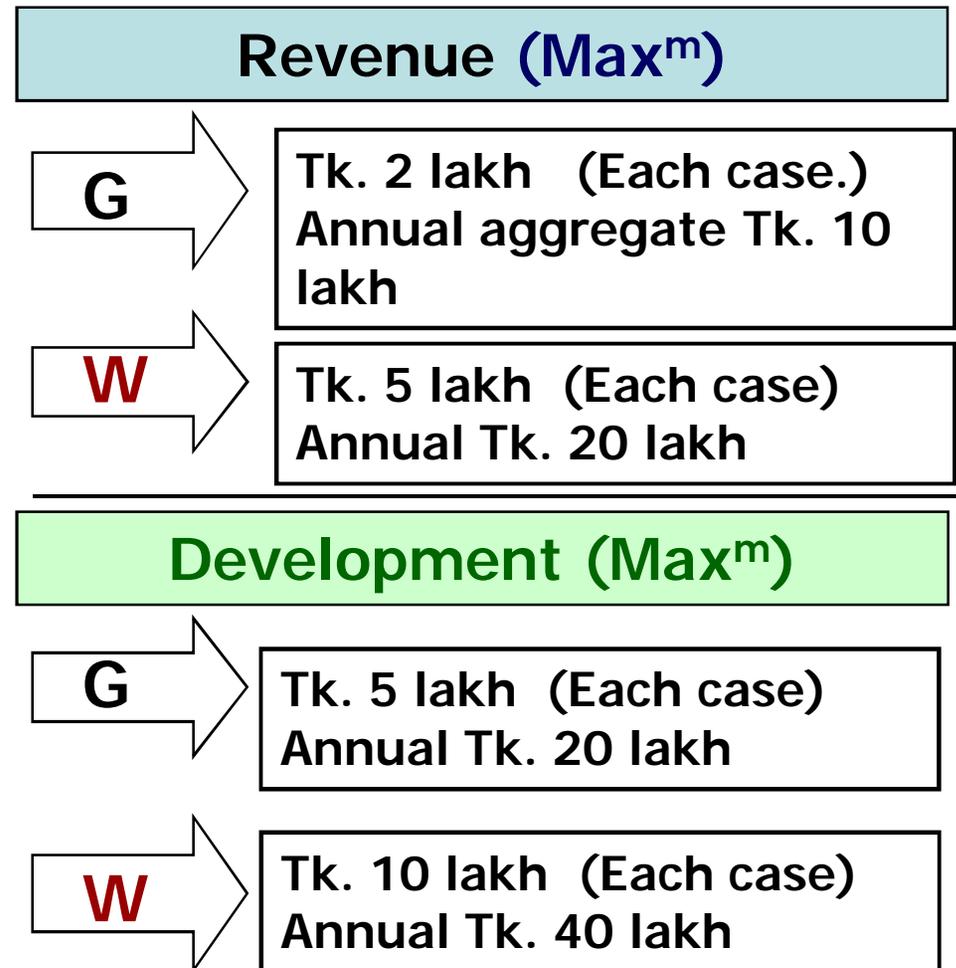
RFQM: Thresholds

Slide No.43/59

Rule- 69
more later on

➤ **Readily available Off-the-shelf Goods**

➤ **Low value simple Works and physical Services**



Rule- 65

Turnkey
Contracts or
Contracts for
large complex
nature of plants

Supply, installation
and commissioning
of **Processing Plants**
or works of complex
nature, **Communication
Technology**

- Not possible complete technical specifications in advance
- **PE** lacks the capability to prepare specifications
- Alternative Tech. approaches may not be available within the **knowledge of PE**

Two-Stage Tendering Method (Competitive)

OSTETM

Slide No.45/59

Applicable for same contracts as TSTM, but **PE is capable** of preparing the complete tender documents, incorporating full specifications, Bill of Quantities, Schedule of Requirements, Designs etc.

**One-Stage-Two-Envelope Tendering Method
(Competitive)
Only **national** procurement**

Direct Cash Purchase (DCP)

Slide No.46/59

Rule- 81

DCP

Low value Goods,
urgent and
essential Services



Tk 25,000
(each case)



Example:
Maintenance,
repairs,
transportation etc



Annual
Aggregate
Tk. 5 lakh

Under Approved Budget: Rule-74(3)

Force Account

Slide No.47/59

Rule- 82

FA

May be used for hiring of direct **Labour** for departmental needs

Purchase of Materials, tools and rental of additional equipment required to perform departmental work: Use other methods (RFQ, Direct Contracting etc.)

Each case
Max. Tk 2
lakh

Under Approved Budget: Rule-74(3)

Procurement Methods – International

Slide No.48/59

- Some **additional** Terms and Conditions are required in the Tender Documents
- **Time limits** for Preparation and Submission of Tenders are also different

Rules- 83-87

Rule- 83

Terms and conditions :

- **Minimum Time Limit for** submission of Tenders (Schedule II), but
 - sufficient time for the **invitation to reach** all potential tenderers
 - to enable them to **prepare and submit** tenders
- Specifications based upon **international standards**
- Acceptable **tender currencies**
- **Currency** of performance security & the contract price

OTM International (cont'd)

Slide No.50/59

Rule- 83

- Tender Document may allow for a **domestic preference**
- To Local manufacturers and Contractors with a price advantage over their international competitors
- Max. 15% of the delivered price for Goods
- Max. 7.5% of the contract price for Works

Application of Other Methods

Slide No.51/59

Rule- 83

Other International Method

Two-Stage

Request For Quotation

Limited Tendering

Direct Procurement

Specially for Embassies &
National Carriers

RFQ (International)

Slide No.52/59

Rule- 85

Following Circumstances arise:

In the case of Procurement of **divisible commodities in bulk** RFQ Method following the Section 34(2) **shall be used**

Aspects

food grains, sugar, fertilizer, edible oils, fuel & animal feed & **quoted in established commodity markets**

Time Limits for Submission: OTM

Slide No.53/59

Rule- 61

Up to Tk. 2 Crore

≧ 14 CD

above Tk. 2 Crore
up to Tk. 5 Crore

≧ 21 CD

Above Tk. 5 Crore

≧ 28 CD

Emergency following
Catastrophe

≧ 10 CD

Time Limits for Submission: OTM

Slide No.54/59

Rule- 61: Re-Tendering

Up to Tk. 2 Crore

≥ 10 CD

Disaster Situation

≥ 7 CD

All other cases

≥ 14 CD

Time Limits for Submission: LTM

Slide No.55/59

Rule- 64

Aspects

All cases

Time

Not less than
(14) days

except

Urgent need for
Procurement

National disasters

Re-Tendering

(7) days 63(b)(c)

Below 7 days

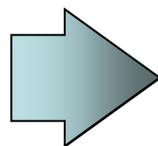
Not less 7 days

Time Limits for Submission: RFQM

Slide No.56/59

Rule- 71

**Reasonably
Justifiably
minimum**



**Not more
than ten (10)
days**

Time Limits for Submission: OSTETM

Slide No.57/59

As OTM

Time Limits for Submission: TSTM

Slide No.58/59

Rule- 66& 68

Aspects

Time

**Technical Proposal
1st Stage**

Min. 42 days

**Priced 'best &
final' Tenders
2nd Stage**

Min. 21 days

Time Limits for Submission: OTM (Intl)

Slide No.59/59

Rule- 83

Irrespective of
value



Not less than **(42)**
days

For re-
Tendering



Not less than **(28)**
days