

Procedures for Suppliers on the Procurement Process

Course Content

1. Procurement Principles & Process

1. What is procurement and why is it important?
2. Procurement principles
3. Proscribed Actions

2. Procurement cycle

1. Procurement cycle: overview

1

PROCUREMENT PRINCIPLES & PROCESSES

1

1. What is Procurement and why is it important?
2. Procurement principles
3. Proscribed Actions

So what is procurement?

“ Procurement is the acquisition of property, plant and/or equipment, goods, works or services through purchase, hire, lease, rental or exchange from any source other than United Nations system organizations”



Important considerations:

1. Procurement relates to **goods, services and works** requirements
2. Procurement goes beyond “obtaining 3 quotes”, it includes all activities in the **procurement cycle**, from planning to contract management
3. Procurement **≠ grants, ≠ ICAs, ≠ Partnerships, ≠ Inter-Agency Agreements**

Procurement: goods, services and works

Goods

- Vehicles
- IT equipment
- Lab and medical equipment
- Pharmaceuticals
- Furniture and office supplies
- Machinery, generators, tools
- Fuel

Photo: UNOPS

Services

- Consultancy
- Transport and travel services
- Leasing of premises
- Workshops and trainings
- Communications
- Security, cleaning, banking

Photo: UNOPS

Works

- Roads
- Bridges
- Schools and universities
- Police stations
- Hospitals, health clinics and laboratories
- Prisons

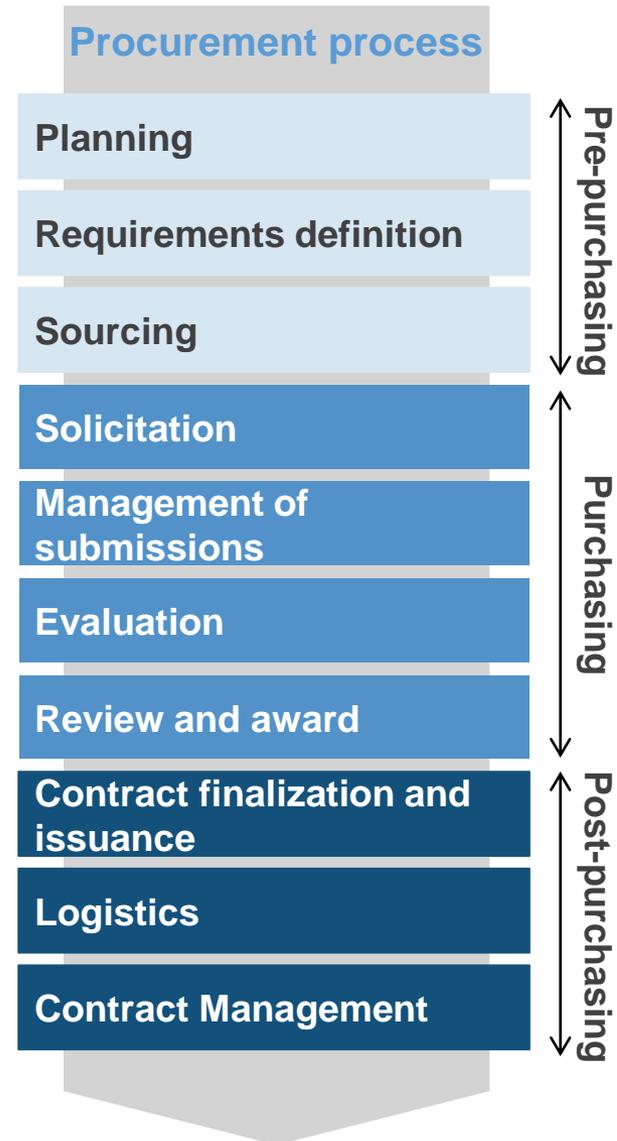
Photo: UNOPS/Jose Ubaldo Campos

Procurement cycle

There are **3 main stages** in the cycle:

- Pre-purchasing
- Purchasing
- Post-purchasing

We will cover each of the stages in detail in **Part 2**



key reasons why procurement is important for UNOPS-VOLUME

#1

**Look at the
numbers**

- UNOPS delivery in 2017 = **\$1.4 billion**
- UNOPS procurement volume in 2017 = **\$900 M**
- Therefore **64% of UNOPS delivery** done through procurement

key reasons why procurement is important for UNOPS-IMPACT

#2

Look at the
impact

- Positively and negative influence on a project's **inputs**, **activities** and **outputs** through impacts on **quality**, **timeline** and **costs**
- **Example:** imagine the negative impacts of a sub-par procurement process, on an education project where one of the key outputs is the construction of a school in a South Asian country



Photo: UNOPS

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PROCUREMENT PRINCIPLES & PROCESSES

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1. What is Procurement and why is it important?
2. **Procurement principles**
3. Proscribed Actions

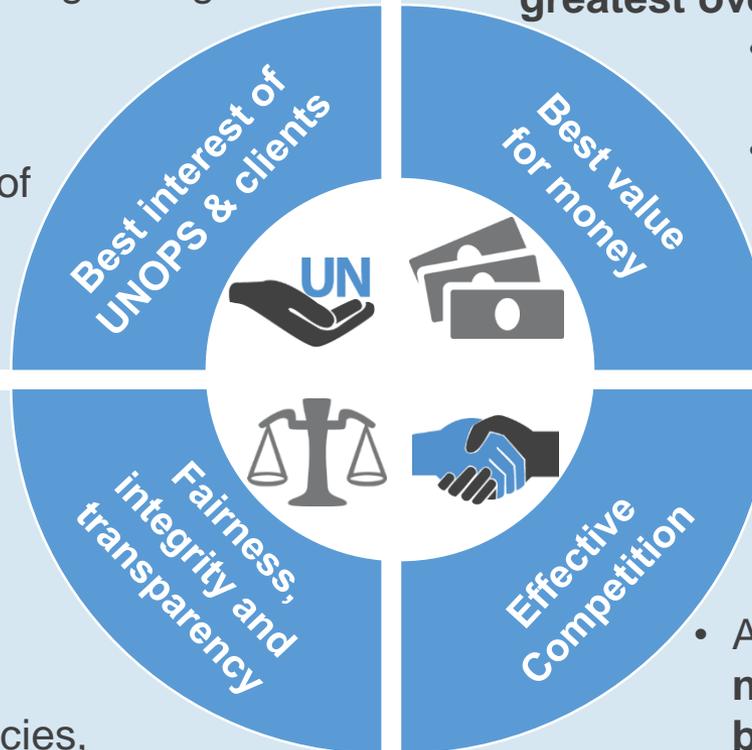
Procurement principles

- Derived from ultimate objective of procurement to **add value to UNOPS and its partners** in fulfilling their goals and objectives
- Includes concepts such as maintaining the best **image and reputation** of the organization and **maintaining public good**

- **Trade off between price and performance/quality providing the greatest overall benefit**
 - **Price** = life cycle cost, not just purchase price
 - **Quality** = required performance, reliability, social and environmental considerations

- Free from favouritism, **impartial**, honest and applies visibility and openness in all transactions
- **Ethical** behavior
- **All information** on policies, procedures, opportunities and processes are clearly defined and made **widely known**

- Fostering **competition** as a driver for best value for money
- Achieved through: **sufficient number of prospective bidders** which are independent and compete under same conditions



Best value for money - Life-cycle cost (LCC)

LCC refers to taking into account costs associated with the purchase and use of the product. Cost aspects to be considered in LCC:

- **Product cost**
- **Freight cost**
- **Operational cost** (e.g. electricity, fuel, consumables)
- **Installation and training** cost
- **Maintenance** cost (e.g. after sales services, repair, spare parts)
- **Disposal** cost or residual value at end of use.



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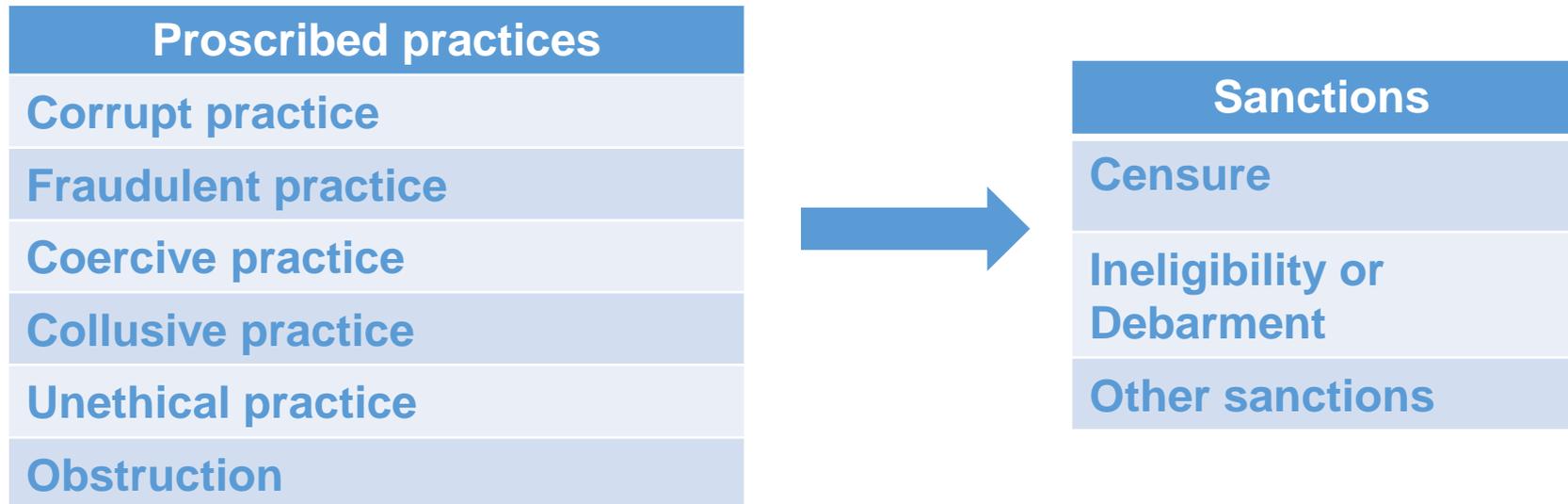
PROCUREMENT PRINCIPLES & PROCESSES

1

1. What is Procurement and why is it important?
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Proscribed practices

- Proscribed practices are **acts or omissions** that may take place at any time during the UNOPS procurement process, including contract execution or beyond.
- There are **6 proscribed practices and 3 sanctions** covered in UNOPS operational directive
- A sanction is an **administrative determination**, including any necessary measures or rehabilitative requirements, determined and applied by UNOPS in its discretion as a result of a Vendor engaging in Proscribed Practices
- Sanctions are **normally not permanent** with a standard duration of 3 years, which can be increased or decreased depending on **aggravating / mitigating circumstances**.
- The sanctions must be guided by the principles of **fairness and business orientation**



Proscribed practices

- **Corrupt practice:** is the offering, giving, receiving, or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party;
- **Fraudulent practice:** is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation;
- **Coercive practice:** is an act or omission that impairs or harms, or threatens to impair or harm, directly or indirectly, any party or the property of the party to improperly influence the actions of a party;
- **Collusive practice:** is an arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party;
- **Unethical practice:** Conduct or behavior that is contrary to the conflict of interest, gifts and hospitality, post-employment provisions or other published requirements of doing business with UNOPS;
- **Obstruction:** Acts or omissions by a vendor that prevent or hinder UNOPS from investigating instances of possible Proscribed Practices

Proscribed practices

- **Censure:** A letter of reprimand of the Respondent's conduct. Censure does not affect the respondent's eligibility, but its existence will be an aggravating factor for imposing sanctions in future proceedings;
- **Ineligibility or Debarment:** Formal declaration that a Respondent(s) has become ineligible for a period of time to be awarded and/or to partake in UNOPS contracts, conduct new business with UNOPS as agent or representative of other vendors and to partake in having discussions with UNOPS regarding new contracts. Exceptionally, the VRC may recommend that the Respondent's debarment be permanent;
- **Other Sanctions:** The VRC may recommend other sanctions that it finds appropriate to the circumstances at hand, including reimbursement or subjecting future contracts to special conditions.

2

PROCUREMENT CYCLE

2

1. Procurement cycle: Requirement definition

Requirements definitions for goods, services, and works

Goods



Specifications

- **Description of requirements**
- **Quality and sustainability standards** (if applicable)
- **Samples** (if applicable)
- **Quantities**
- **Delivery timelines**
- **Delivery place and Incoterms rules**
- **Consignee** information
- **Related services** if needed: spares, warranty, after sales, installation, training

Services



Terms of Reference (TOR)

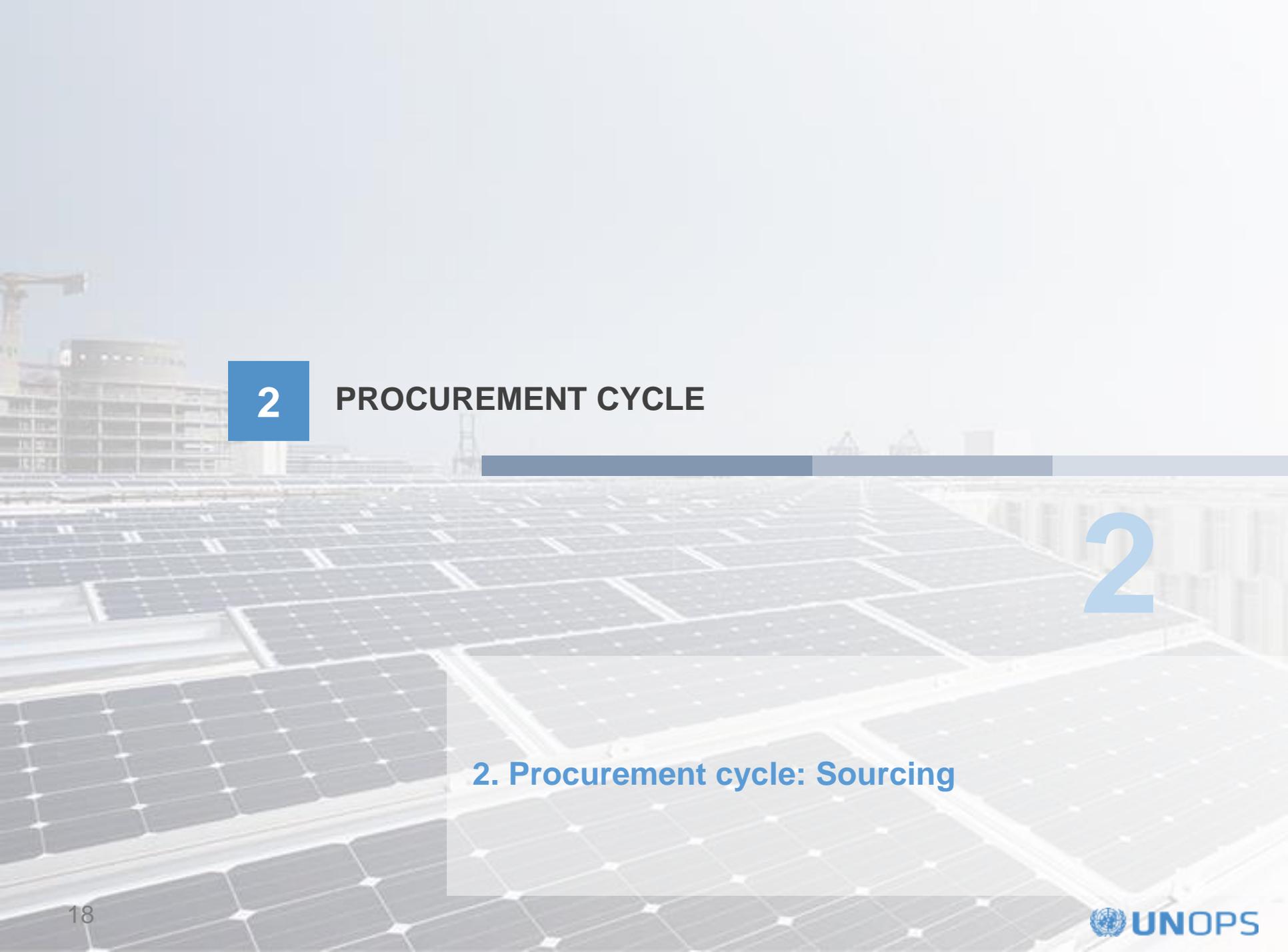
- **Background**, assignment context and stakeholders
- **Overall objective, scope and impact**
- **Duration and location**
- **Outputs/deliverables**
- **Activities** to reach the output
- **Inputs** required
- **Client support** / institutional arrangements
- **Reporting** requirements
- **Qualifications** of service provider and key personnel
- **Scope of price proposal**: fixed priced (output) or/and cost-reimbursement (input)

Works



Statement of works

- **Statement of works**: location, timeline, construction site, etc.
- **Bill of quantities (BOQ)**: unitized list of materials requested
- **Technical specifications**: type and quality standards to be used, e.g. density of cement.
- **Drawings and designs - no tender if no certificate of Design Review Compliance!**



2

PROCUREMENT CYCLE

2

2. Procurement cycle: Sourcing

Procurement process
Planning
Requirements definition
Sourcing
Solicitation
Management of submissions
Evaluation
Review and award
Contract finalization and issuance
Logistics
Contract Management

Market research and sourcing methods



➔ Sourcing methods

Request for Information (RFI)
Market survey to obtain info, such as: potential solutions, price ranges, delivery times, etc.

Expression of Interest (EOI)
Identify suppliers for future procurements. Can be used for short-listing if criteria included

Pre-qualification
Assessing suppliers against predefined criteria, used for short-listing. For high complexity/value /risk and often for works procurement

Sourcing methods

- Market survey to obtain information that can be used to identify available or **potential solutions to fulfill identified needs**, including pricing information and delivery time
- Info received in response is **not for the purpose of qualifying vendors**
- Advertised in appropriate media

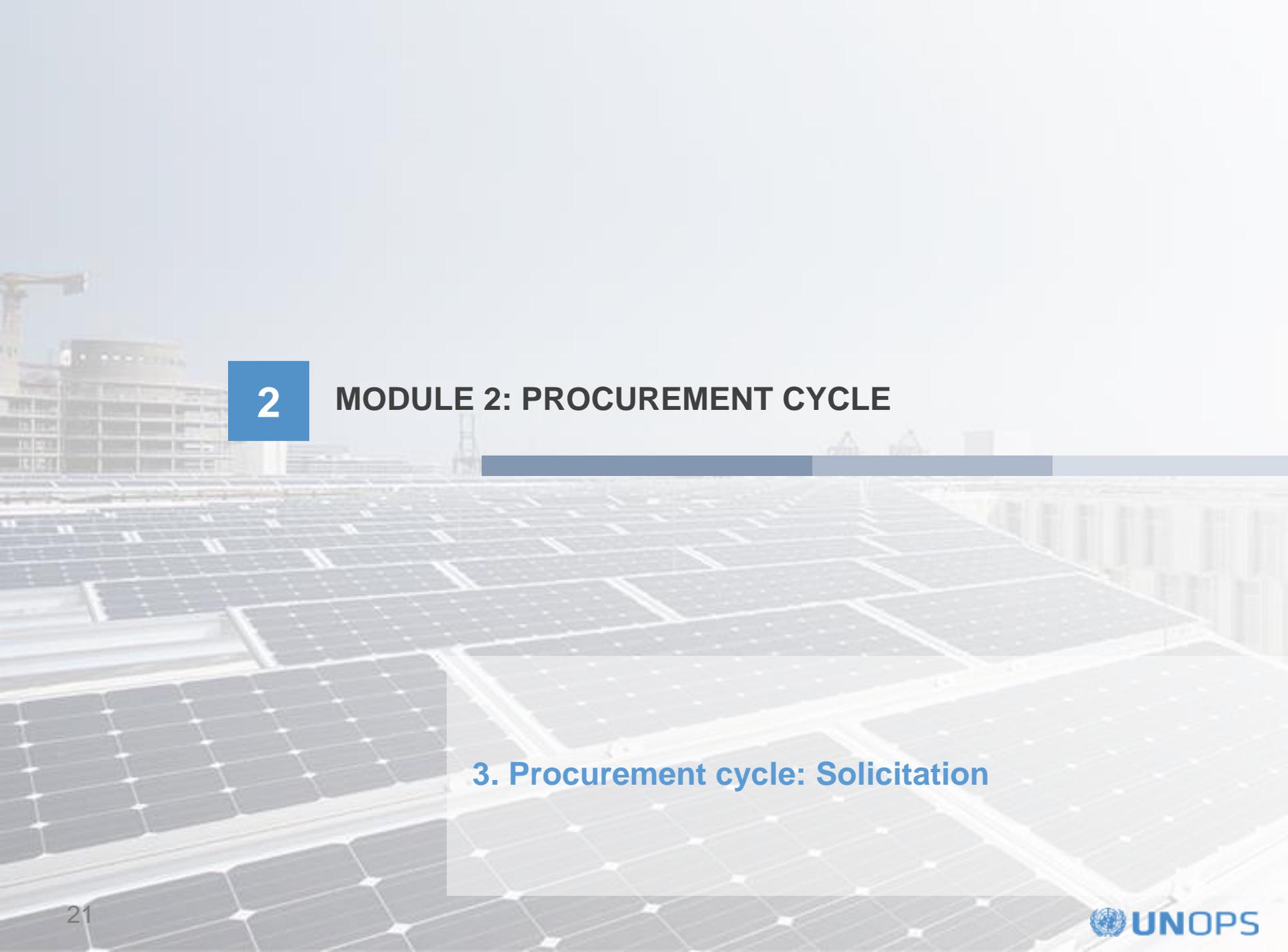
Request for
Information
(RFI)

- An advertisement to **identify suppliers** for future procurements.
- Suppliers express interest by submitting info demonstrating their experience and qualifications in provision of relevant goods/services/works
- Normally used for **consultancy services where technical expertise is critical** and when there is an over-supply of potential bidders
- Can be used for **short-listing** if clear criteria included
- To be advertised in appropriate media

Request for
Expressions
of Interest
(EOI)

- **Formal method** of assessing suppliers against **pre-determined criteria** and **only suppliers that meet such criteria are invited to the solicitation** process for **limited competition**
- It can **also** be used as part of a **solicitation document** (i.e. not stand-alone) and for one or various procurement requirements.
- Usually done: for **high complexity/value/risk** goods or services; when high costs of preparing detailed bids would discourage competition; for **construction works** with complex technical components
- To be advertised in appropriate media

Pre-
qualification



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MODULE 2: PROCUREMENT CYCLE

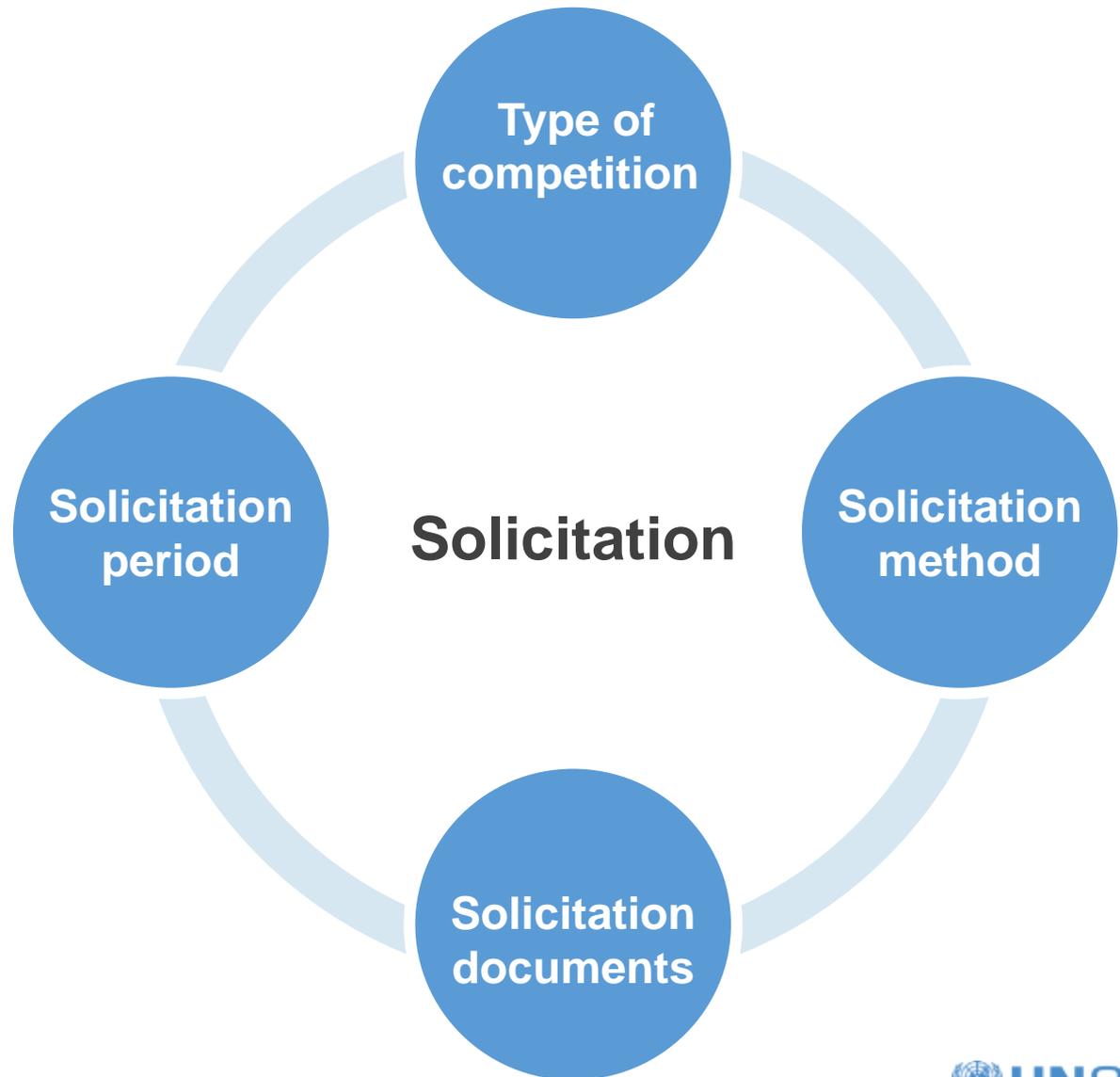
3. Procurement cycle: Solicitation

Solicitation

Solicitation is the generic term for requesting suppliers to submit a bid, quotation or proposal. There are **four** main aspects to while preparing solicitation process.

These are mostly **shaped** by information gathered during **pre-purchasing** activities:

- Procurement planning
- Requirements definition
- Sourcing



- Procurement process
- Planning
- Requirements definition
- Sourcing
- Solicitation**
- Management of submissions
- Evaluation
- Review and award
- Contract finalization and issuance
- Logistics
- Contract Management

Solicitation methods

Shopping	Request for Quotation (RFQ)	Invitation to Bid (ITB)	Request for Proposals (RFP)
<ul style="list-style-type: none"> • Value: <\$5,000 • Type of requirement: off-the-self goods, standard commodities or simple goods • Award criteria: lowest priced most technically acceptable. Tech. compliance: 'pass-fail' • Bid receipt/opening: n/a 	<ul style="list-style-type: none"> • Value: >\$5,000<\$50,000 • Type of requirement: goods, services or works where requirement is clear and specific • Award criteria: lowest priced most technically acceptable. Tech. compliance: 'pass-fail' • Bid receipt/opening: may be by procurement officer 	<ul style="list-style-type: none"> • Value: >\$50,000 • Type of requirement: goods, works, services that can be quantified • Award criteria: lowest priced substantially compliant. Tech. compliance: 'pass-fail' • Bid receipt/opening: by Bid Opening Panel. Bids in one sealed envelope (technical + financial) 	<ul style="list-style-type: none"> • Value: >\$50,000 • Type of requirement: services or complex goods/works • Award criteria: cumulative analysis technical + financial (70:30 or 60:40). Tech. compliance: score points and if +60/70% of total) • Bid receipt/opening: by Bid Opening Panel. Proposals in 2 envelopes



Solicitation documents

Complexity of the document **depends on the requirements and value**. They include the below **main components**



Letter of invitation, Bid/RFP particulars

Invitation letter

- Contact person
- Deadlines
- Clarifications
- Eligibility
- Pre-bid, site visit
- Language,

Evaluation Criteria

- Eligibility and formal criteria
- Qualification criteria
- Technical criteria

Schedule of Requirements

- Technical specs (goods)
- TOR (services)
- SoW, Design, Drawings

Contractual Information

- Copy of the organization's relevant **General Terms and Conditions**
- **Special conditions** (if applic)
- Copy of the **standard contract** that shall be used

Instructions to bidders

- Scope
- Interpretation
- Amendments
- Payment terms
- Contract management,....

Returnable bidding forms/schedules

- Forms that must be filled, duly signed and be included within the **bidder's offer**
- Examples: bid submission form; technical **submission form**; **price schedule**; manufacturer authorization letter; **CVs** of key personnel
- **Schedules (works)**: bidder preliminary programme; project team; insurances; capacities, work in hand, work completed..

Solicitation documents – Evaluation criterion

One of the main aspects to include in the solicitation documents are the evaluation criterion. You shall learn more in Module 4, **there are 4 types** of criteria:

Eligibility and formal criteria

Preliminary criteria used to screen submissions based on their compliance with the requirements and instructions in the solicitation document.

Qualification criteria

Criteria that assess, if the supplier is capable of successfully completing the contract.

Evaluation Criterion

Technical criteria

Criteria that assess the supplier's ability to meet the technical requirements.

Financial criteria

The various price factors, such as cost of goods, freight costs, operational cost, and life cycle cost, that together provide overall financial cost of the offer.

Open vs limited competition

Open competition

- **Who can participate:** everyone
- **Value:** any value, but recommended for higher values as also has higher processing cost (>\$50,000)
- **Advertisement of process:** UNOPS website, UNGM, industry magazines, local newspapers, etc.
- **Geographical scope:** local, regional or international. Local and regional to be justified: non-interest of intl. suppliers, better local/regional prices, local/regional knowledge required, etc.

Limited competition

- **Who can participate:** a limited number of suppliers (min. 3) identified in a non-discriminate and documented way, or following EOI/pre-qualification
- **Value:**
 - After EOI/pre-qualification: any value
 - Other situations: < \$50,000
- **Advertisement of process:** sent to short-listed suppliers only, no advertisement
- **Geographical scope:** local, regional or international

Geographical Scope



Regional
(E.g. Northern Nigeria)



National
(E.g. Nigeria)



International

One thing to consider during the bid submission – Joint Venture

- If a bidder does not have all the expertise required for the provision of the services/goods/works to be provided under the contract, such bidder may submit an offer in association with other entities, particularly with an entity in the country where the goods and/or services are to be provided.

In the case of a joint venture, consortium or association:

- All parties of such joint venture, are jointly and severally liable to UNOPS.
- The offer shall clearly identify the designated entity designated to act as the contact point to deal with UNOPS.
- The composition of the joint venture, shall not be altered without the prior consent of UNOPS.
- Evaluation criteria will be applied, i.e. if the criteria applies to:
 - All joint venture members combined must meet it;
 - Each joint venture member must meet it;
 - At least one of the joint venture members must meet it.

Normally, qualification criteria such as specific experience requirements and turnover requirement refer to all joint venture partners combined, whilst eligibility criteria are per each joint venture partner (non-inclusion in ineligibility lists, etc)

Joint Venture

ITB/RFP reference no: [insert ITB reference No.]

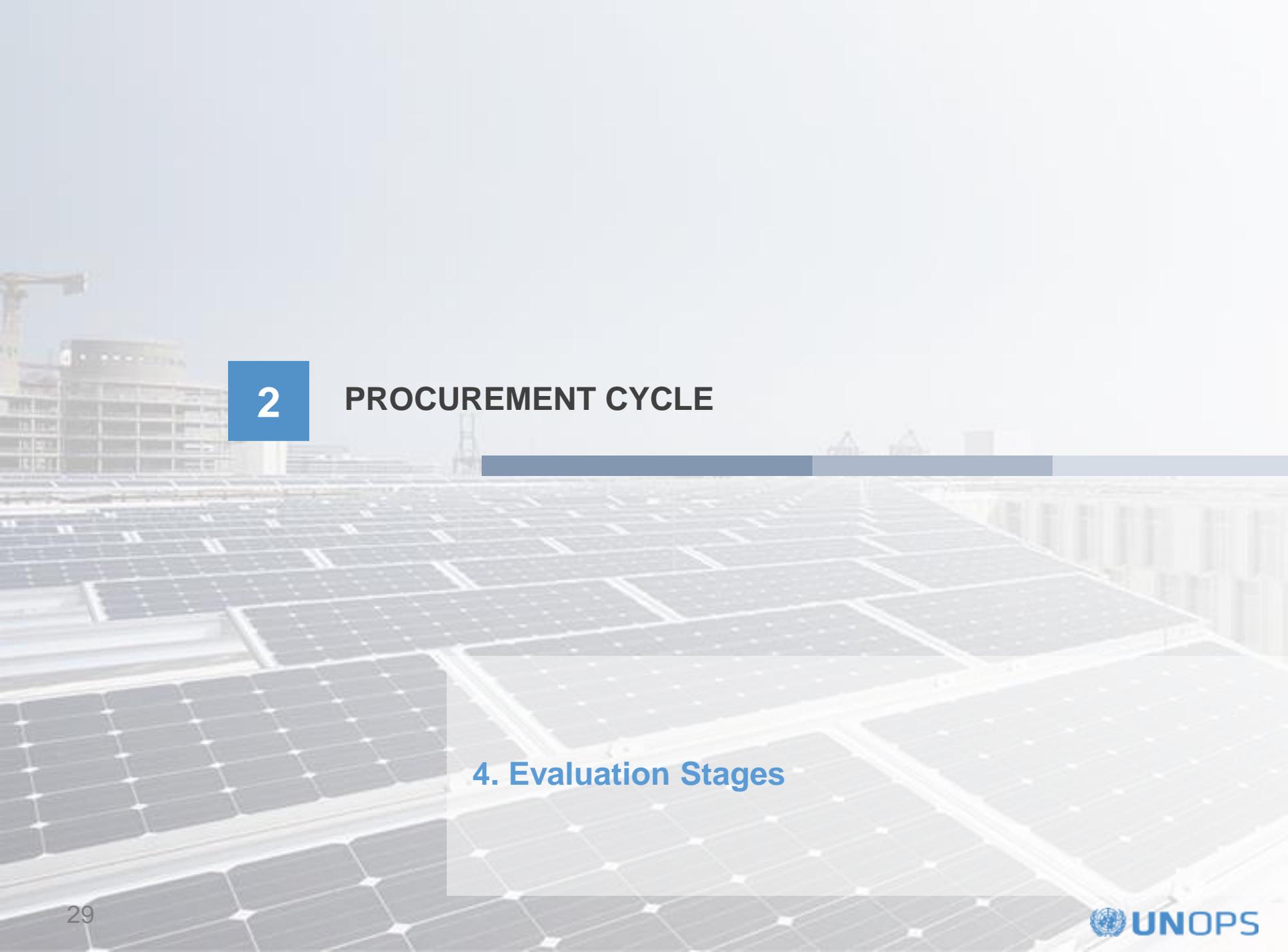
Name of Bidder: [insert name of bidder]

Date: [insert submission date]

To be completed and returned with your Bid if the Bid is submitted as a Joint Venture/Consortium/Association.

JV / Consortium/ Association Information

Name	[complete]
Names of each partner and contact information (address, telephone numbers, fax numbers, e-mail address)	[complete]
Name of leading partner (with authority to bind the JV, Consortium, Association during the Bidding process and, in the event a Contract is awarded, during contract execution)	[complete]
Proposed proportion of responsibilities between partners (in %) with indication of the type of the goods/services to be delivered by each	[complete]



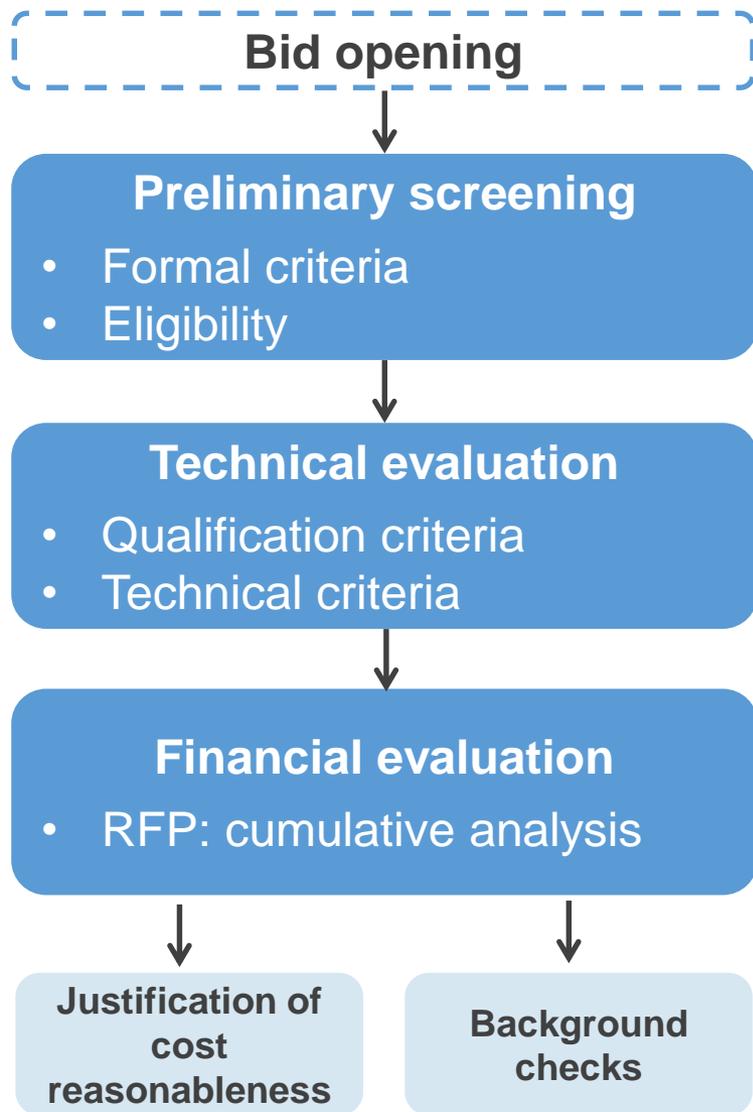
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PROCUREMENT CYCLE

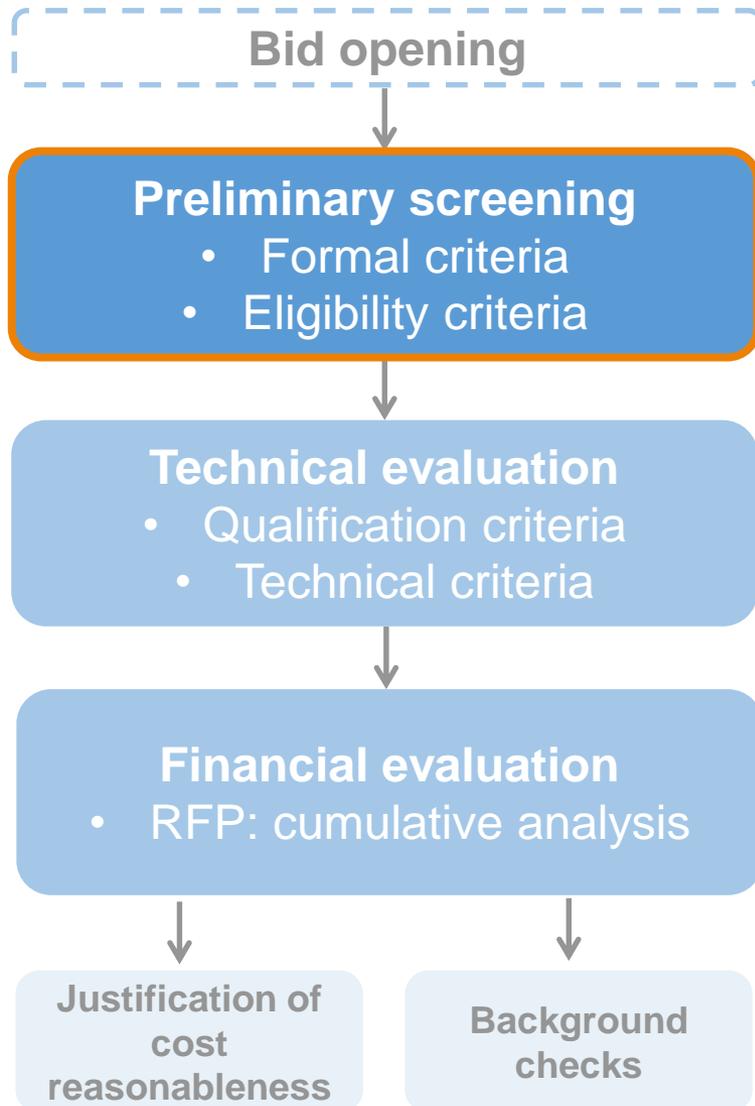
4. Evaluation Stages

Procurement process
Planning
Requirements definition
Sourcing
Solicitation
Management of submissions
Evaluation
Review and award
Contract finalization and issuance
Logistics
Contract Management

Evaluation stages and TET composition



Preliminary screening



How:

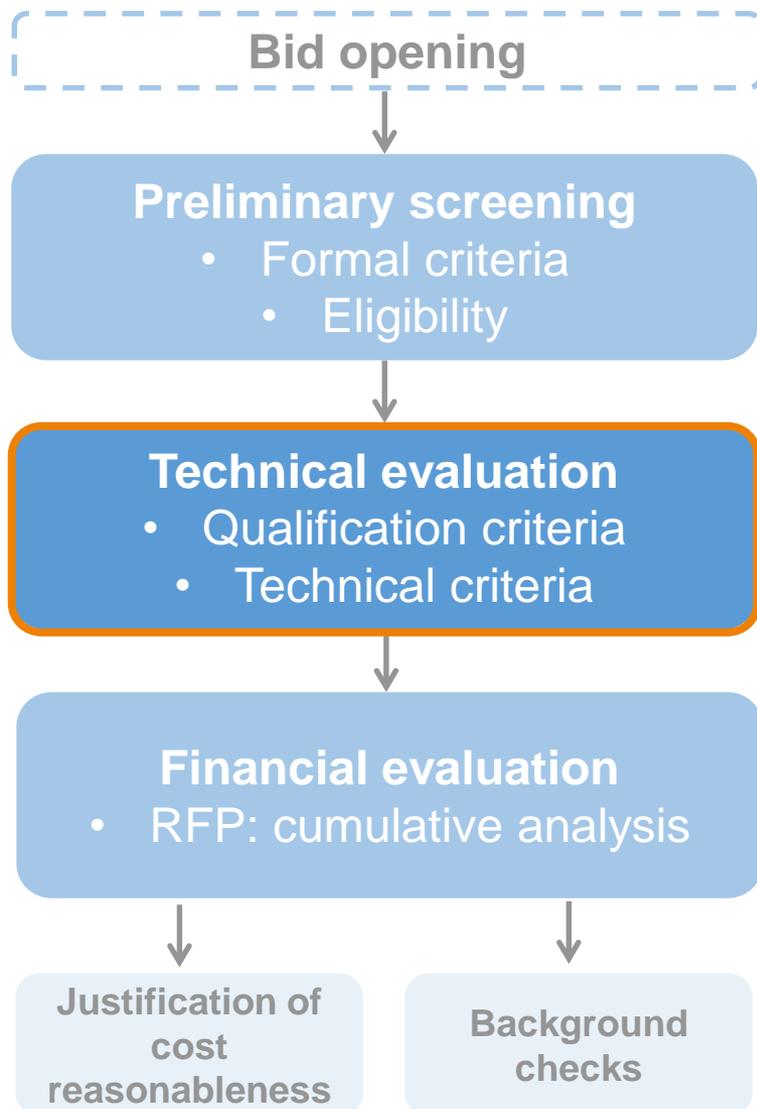
- check if **formal criteria** complied with: within deadline; no of copies of bid; bid security (if applicable); offer validity; requested documentation...
- check **eligibility** in sanctions list

Why: eliminate clearly unsatisfactory offers = **evaluation efficiency**

Who: Procurement official

Important: no rejections for **trivial reasons!** Ask for clarifications if only missing historical documents.
Rejections to be documented

Technical Evaluation



How:

- **Goods/services/works:** 'pass-fail' on qualification criteria
- **Goods/Works:** "pass-fail" on technical criteria
- **Services** (RFP, combined analysis): scoring points on technical criteria

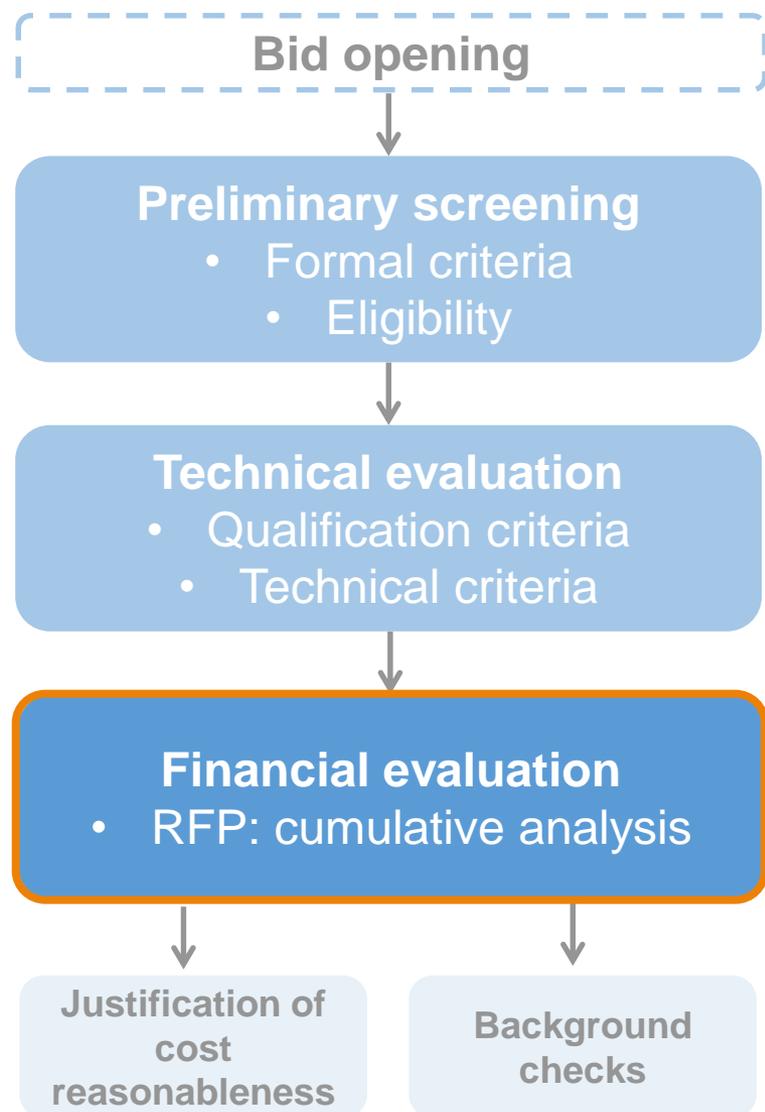
Why: determine qualification and technical responsiveness = **focus on bidders 'that can do the job'**

Who: TET

Important:

- **RFQ/ITB:** no rejections for **minor deviations! Ask for clarifications**
- **RFP:** document the scoring: no '**Sudoku effect!**'
- **All rejections to be documented**

Financial evaluation



How:

- **Analyze breakdown of costs**, not just bottom line and check for arithmetical errors
- **RFP: Cumulative analysis** formula (only for technically compliant!):

$$\text{Points financial proposal Y} = \frac{\text{Lowest priced Proposal}}{\text{Price of Proposal Y}} \times 30 \text{ or } 40$$

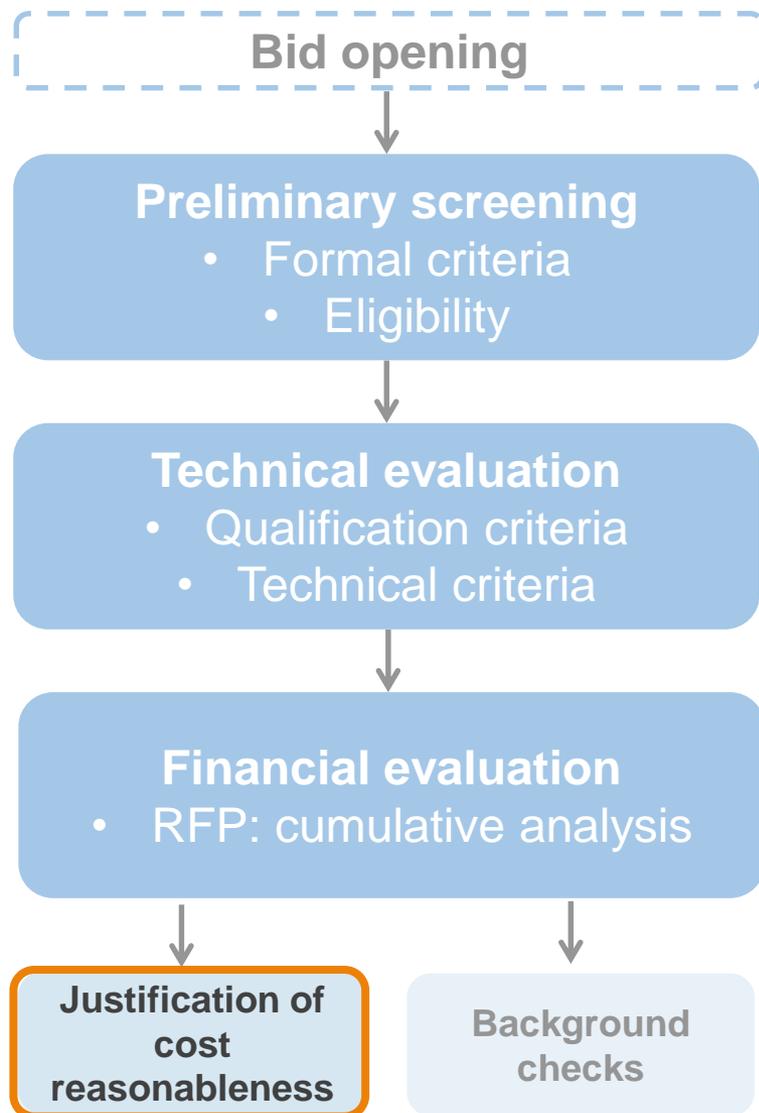
Why: critical to **identify price differences** and assist in cost reasonableness analysis

Who: Procurement official + Technical subject matter experts

Important:

- **Rejections at this stage normally only for:** not complete lots, less qty. than requested

Justification of cost reasonableness



How: compare recommended offer against:

- Other fully compliant bids
- Procurement plan / budget / estimates
- Market rates
- Past purchases of similar products/services
- LTA prices

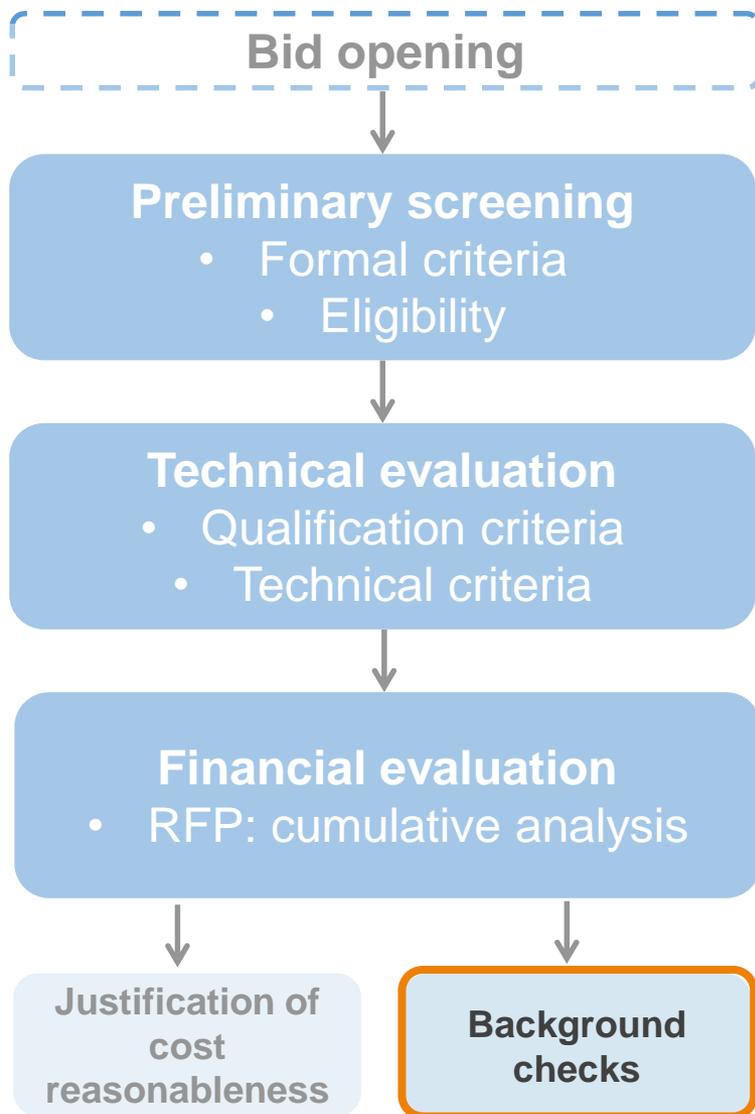
Why: determine if recommended offer offers **best value for money**

Who: Procurement official

Important:

- Especially relevant if **less than three compliant bids were received**

Background checks



How: carry out following checks:

- Internet check
- Call the supplier
- Verification of legal, technical, financial documents
- Reference check with clients
- Physical inspection of premises

Why: mitigate risk, especially for high value contracts and new suppliers

Who: Procurement official + technical experts (finance, etc.)

Important:

- Adjust intensity of checks to the **complexity/ value of contract**

Material Deviation

Material deviation is one that;

- Would affect in any **substantial** way the scope, quality or performance of other goods and services specified in the contract.
- Would limit in any substantial way, by **contradicting** the solicitation documents, UNOPS rights or the bidder's obligations under the contract.
- If rectified, would **unfairly affect** the competitive position of the bidders presenting substantially responsive bids.

During financial evaluation, a deviation would be considered material in any of the following situations:

- The bidder does not accept the required price correction as per the condition of the solicitation document;
- Required price components are missing;
- The bidder offers less quantity than is required.

Discussion with vendors

What is the difference between **clarifications** and **negotiations**?

Clarification means communication with a bidder for the sole purpose of eliminating minor irregularities, informalities, or apparent clerical mistakes in the submission, missing historical documents without changing substance of the offer.

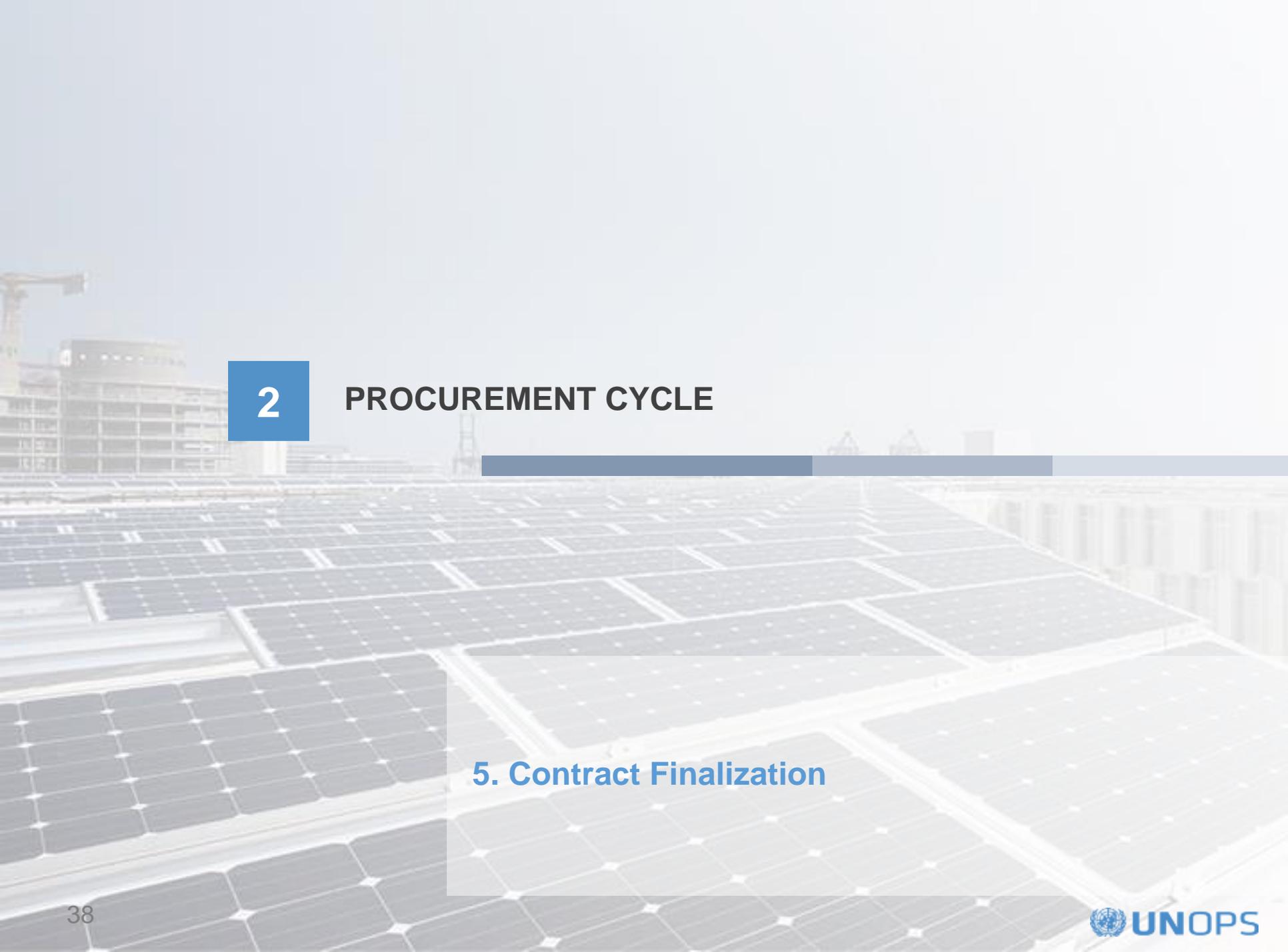
Examples

- Errors in total
- Discrepancy between amount in figures and amount in words
- Bid securities missing
- Misplacement of decimals

Negotiations are discussions with a potential supplier after selection but prior to award of contract, with the purpose of ensuring best value for money for UNOPS without compromising the principle of fair and equal treatment of all suppliers. **Typically, UNOPS does not enter into negotiations**, but there may be circumstances that justify the practice.

Situations

1. The available budget is not sufficient;
2. The winning proposal is offering additional services which were not requested ;
3. The DSA rates, travel cost etc. are not in line with standard rates; or marginal quantity increases resulting in discounts
4. There are fewer than three compliant proposals/offers.
5. **Approved in writing by PA**
6. Minimum two UNOPS personnel, preferably personnel who were part of the evaluation team



2

PROCUREMENT CYCLE

5. Contract Finalization

Review and award take place before contract signature



- Consists on ensuring:
 - ✓ Compliance with procurement rules
 - ✓ Best interest of organization
- Can be done by the **Procurement Authority directly** or by **HQCPC/LCPC** depending on thresholds
- If not: **post-facto / retroactive**
- Provides advise to PA, does not decide!

- Award is the decision that authorizes establishment of a contract with a supplier
- Done by the **Procurement Authority** that has the Delegated Procurement Authority (DOA) for that process, subject to thresholds

Contract management

Contract preparations

- **Clarification** of outstanding issues and **Negotiations** (only if needed)
- **Letter of intent** (if appl.)

Contract management

- Vendor **performance monitoring**
- **Payments**
- **Dispute resolutions**
- **Amendments, extensions, renewals**
- **Variations (works contracts)**

Contract signature

- To be signed within **bid validity period**
- Contract is **legally binding** upon signature of the two parties
- By **relevant PA** after award

Contract termination

- Normally through **due performance**: all obligations of both parties met (i.e. delivery – payment)
- Otherwise:
 - **Breach**
 - **Impossibility** of performance
 - **Mutual agreement**