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. 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**
### 1.1 WHAT IS PROCUREMENT AND WHY IS IT IMPORTANT?

#### Procurement: goods, services and works

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

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

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

• 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

• 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
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**
- 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**

- **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

- **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

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

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**.

<table>
<thead>
<tr>
<th>Proscribed practices</th>
<th>Sanctions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corrupt practice</td>
<td>Censure</td>
</tr>
<tr>
<td>Fraudulent practice</td>
<td>Ineligibility or Debarment</td>
</tr>
<tr>
<td>Coercive practice</td>
<td>Other sanctions</td>
</tr>
<tr>
<td>Collusive practice</td>
<td></td>
</tr>
<tr>
<td>Unethical practice</td>
<td></td>
</tr>
<tr>
<td>Obstruction</td>
<td></td>
</tr>
</tbody>
</table>
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.
1. Procurement cycle: Requirement definition
Requirements definitions for goods, services, and works

**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

**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)

**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: Sourcing
Market research and sourcing methods

External sources
- Business seminars
- Internet
- Industry publications
- UNGM
- Professional networks
- Clients
- Directories
- Past contracts
- Past tenders
- UN Global Compact
- Funding source
- Talking with colleagues
- UNGM
- Chambers of commerce
- Other UN agencies
- Pre-qualified lists
- UNWEBBUY PLUS
- Existing LTAs
- Past contracts
- Past tenders

Internal sources

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.

- 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.

- 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.

Request for Information (RFI)
Request for Expressions of Interest (EOI)
Pre-qualification
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
### Solicitation methods

<table>
<thead>
<tr>
<th>Shopping</th>
<th>Request for Quotation (RFQ)</th>
<th>Invitation to Bid (ITB)</th>
<th>Request for Proposals (RFP)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value:</strong> &lt;$5,000</td>
<td><strong>Value:</strong> &gt;$5,000&lt;$50,000</td>
<td><strong>Value:</strong> &gt;$50,000</td>
<td><strong>Value:</strong> &gt;$50,000</td>
</tr>
<tr>
<td><strong>Type of requirement:</strong></td>
<td><strong>Type of requirement:</strong></td>
<td><strong>Type of requirement:</strong></td>
<td><strong>Type of requirement:</strong></td>
</tr>
<tr>
<td>off-the-self goods,</td>
<td>goods, services or works</td>
<td>goods, works, services that can be quantified</td>
<td>services or complex goods/works</td>
</tr>
<tr>
<td>standard commodities or</td>
<td>where requirement is clear</td>
<td><strong>Award criteria:</strong> lowest priced</td>
<td><strong>Award criteria:</strong> cumulative</td>
</tr>
<tr>
<td>simple goods</td>
<td>and specific</td>
<td>substantially compliant. Tech. compliance:</td>
<td>analysis technical + financial (70:30 or</td>
</tr>
<tr>
<td><strong>Award criteria:</strong></td>
<td></td>
<td>‘pass-fail’</td>
<td>60:40). Tech. compliance: score points and if</td>
</tr>
<tr>
<td>lowest priced most</td>
<td></td>
<td><strong>Bid receipt/opening:</strong> by Bid Opening Panel.</td>
<td>+60/70% of total)</td>
</tr>
<tr>
<td>technically acceptable.</td>
<td></td>
<td>Bids in one sealed envelope (technical +</td>
<td><strong>Bid receipt/opening:</strong> by Bid Opening Panel.</td>
</tr>
<tr>
<td>Tech. compliance:</td>
<td></td>
<td>financial)</td>
<td>Proposals in 2 envelopes</td>
</tr>
<tr>
<td>‘pass-fail’</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Bid receipt/opening:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>n/a</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Bid receipt/opening:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Bid receipt/opening:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>may be by procurement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>officer</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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

### 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

### Schedule of Requirements
- Technical specs (goods)
- TOR (services)
- SoW, Design, Drawings

### 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..
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:

<table>
<thead>
<tr>
<th>Eligibility and formal criteria</th>
<th>Qualification criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preliminary criteria used to screen submissions based on their compliance with the requirements and instructions in the solicitation document.</td>
<td>Criteria that assess, if the supplier is capable of successfully completing the contract.</td>
</tr>
<tr>
<td>Technical criteria</td>
<td>Financial criteria</td>
</tr>
<tr>
<td>Criteria that assess the supplier’s ability to meet the technical requirements.</td>
<td>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.</td>
</tr>
</tbody>
</table>
Open vs limited competition

<table>
<thead>
<tr>
<th>Open competition</th>
<th>Limited competition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Who can participate</strong>: everyone</td>
<td><strong>Who can participate</strong>: a limited number of suppliers (min. 3) identified in a non-discriminate and documented way, or following EOI/pre-qualification</td>
</tr>
<tr>
<td><strong>Value</strong>: any value, but recommended for higher values as also has higher processing cost ($&gt;50,000)</td>
<td><strong>Value</strong>:</td>
</tr>
<tr>
<td><strong>Advertisement of process</strong>: UNOPS website, UNGM, industry magazines, local newspapers, etc.</td>
<td></td>
</tr>
<tr>
<td><strong>Geographical scope</strong>: local, regional or international. Local and regional to be justified: non-interest of intl. suppliers, better local/regional prices, local/regional knowledge required, etc.</td>
<td><strong>Advertisement of process</strong>: sent to short-listed suppliers only, no advertisement</td>
</tr>
<tr>
<td></td>
<td><strong>Geographical scope</strong>: local, regional or international</td>
</tr>
</tbody>
</table>

**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.

<table>
<thead>
<tr>
<th>JV / Consortium/ Association Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
</tr>
<tr>
<td>Names of each partner and contact information (address, telephone numbers, fax numbers, e-mail address)</td>
</tr>
<tr>
<td>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)</td>
</tr>
<tr>
<td>Proposed proportion of responsibilities between partners (in %) with indication of the type of the goods/services to be delivered by each</td>
</tr>
</tbody>
</table>
4. Evaluation Stages
Evaluation stages and TET composition

**Bid opening**

**Preliminary screening**
- Formal criteria
- Eligibility

**Technical evaluation**
- Qualification criteria
- Technical criteria

**Financial evaluation**
- RFP: cumulative analysis

**Justification of cost reasonableness**
**Background checks**
Preliminary screening

Bid opening

Preliminary screening
- Formal criteria
- Eligibility criteria

Technical evaluation
- Qualification criteria
- Technical criteria

Financial evaluation
- RFP: cumulative analysis

Justification of cost reasonableness
Background checks

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

Bid opening

Preliminary screening
- Formal criteria
- Eligibility

Technical evaluation
- Qualification criteria
- Technical criteria

Financial evaluation
- RFP: cumulative analysis

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

Bid opening

Preliminary screening
- Formal criteria
- Eligibility

Technical evaluation
- Qualification criteria
- Technical criteria

Financial evaluation
- RFP: cumulative analysis

Justification of cost reasonableness
Background checks

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

Bid opening

Preliminary screening
- Formal criteria
- Eligibility

Technical evaluation
- Qualification criteria
- Technical criteria

Financial evaluation
- RFP: cumulative analysis

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.
5. Contract Finalization
Review and award take place before contract signature

Evaluation ➔ Review ➔ Award ➔ 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
## 2.5 PROCUREMENT CYCLE: CONTRACT FINALIZATION

### Contract management

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

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

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