





# Procurement planning & preparation – practitioner's perspective



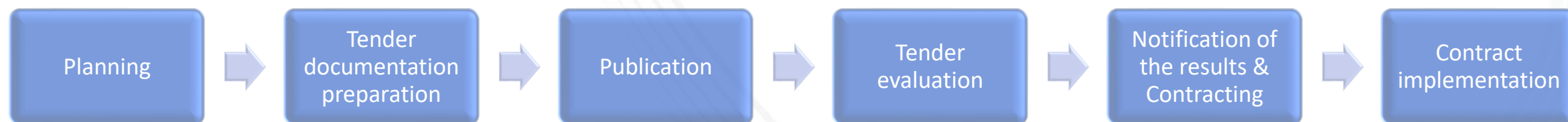


# About planning....



# Preparatory stage

## PROCUREMENT CYCLE



# Preparatory stage

Preparation is a mandatory part of the procurement cycle (Directive 2014/24/EU & PRAG).

## Objective

Assuring timely provision of goods/services/works which are **fit for purpose**, delivered at required location, **within available budget/representing value for money** and procured fully **in line with applicable rules** and **predetermined timeframe**.

## Crucial planning elements: complexity of the procurement solution, timing & required resources.

**Procurement solution complexity** - level of complexity of applicable procedures (e.g. simple vs. restricted)/tools (e.g. FWC, central purchasing, e-procurement etc.), scope of the future contract (e.g. hybrid/mix, specific conditions), availability of required goods/services/works and level of competitiveness on the particular market.

**Timing** – demanding time-frame increases procurement inherent risks.

# Preparatory stage

**Required resources** – do we have all resources required for timely completion of procurement (e.g. procurement and technical expertise, funds for outsourcing, sufficient time for realisation of procedures in accordance with applicable rules etc.)

Related question - is outsourcing most efficient approach when it comes to preparation of market analysis/preparation of technical documentation or we can do it on our own?



**In order to save time/money consider outsourcing independent quality review of technical specifications/BoQ, while assigning overall responsibility to beneficiary institution. In case of particularly sensitive specs (e.g. suspected bias of the beneficiary towards particular vendor may potentially affect the external expert or limited competition), you may wish to add additional control layer.**

# Preparatory stage

OECD Iron triangle – changing one parameter inevitably affects others.





# Preparatory stage

## Market study with justification

Key question prior to initiation of the procurement procedure - is it manifestly necessary.  
If yes, next step is to obtain value for money while observing all applicable rules & procedures.

**Objective of the market study is twofold:**

- **to reassure contracting authority about**
  - (1) existence of sound market competition and**
  - (2) sufficiency of earmarked budget for required supplies/works\*.**

\* In case of service tenders tendered under PRAG, analysis are commonly limited to checking sufficiency of earmarked budget based on contracting authority's historic data rather than through processing responses obtained from potential tenderers.



# Preparatory stage

Analytical grid (e.g. supply tenders)

Item N° 1:	Name of the item				
Possible Suppliers:	Name of Supplier 1	Name of Supplier 2	Name of Supplier 3	Name of Supplier 4	Name of Supplier 5
Nationality:					
Technical Documentation/offer:	Attachment N°...	Attachment N°...	Attachment N°...	Attachment N°...	Attachment N°...
Country of Origin:					
Estimated price(EUR):					
Relevant price for the item	Relevant price for the item (highest price of the remaining 3 offers after excluding the cheapest and most expensive offer)				

# Preparatory stage

## Justification

### **Rationale**

Explaining how particular tender fits to the project purpose and specific objective(s)/, brief description of goods/works and services\* is required, explaining the logic behind proposed division into lots (if applicable), elaboration of key conclusions steaming from the Market Study.

### **Risks and contingency plan**

Elaborating (identify& score) risks steaming from the eligibility, budgetary and other issues associated with particular tender procedure (e.g. necessary derogations, limited competition, hard sequencing etc.), highlight any specific requirements (selection criteria, specifications, derogations etc.) essential for making goods/works fit for purpose; propose risk mitigation measures for medium & high risks; Elaborate contingency plan for attainment of project objective(s) in case of failure or delayed tender procedure).

### **Ancillary services**

Which ancillary services are required, why and for how long.

# Preparatory stage

## Justification

### **Quantities & distribution of items\***

Describe how goods will be distributed; in case of multiple delivery locations, draft Distribution list, reflect possible negative or positive variation of quantity).

### **Sustainability**

Describing measures to be applied by beneficiary institution throughout expected life-cycle of delivered goods/executed works with a view of extending life span of the goods/infrastructure (e.g. upgrades, maintenance arrangements etc.), including strategy for decommissioning at the end of the life cycle while taking into consideration environmental issues.

### **Confidentiality**

Describe measures applied by the beneficiary/end recipient/consultancy firm to assure objectivity of the personnel responsible for the preparation of tender documentation as well as confidentiality of drafted documentation; Specify all entities and/or persons involved in any aspect of the preparation of tender documentation (drafting, consulting, reviewing) or having access to technical documentation prior to the publication.

\* supply contracts only



# Preparatory stage do's & don'ts



**Procurement preparations are starting at programming stage**, when decisions on how sector/project objectives will be achieved (type of contract/modality) and until when (timeframe) are made. Having centralised purchasing authorities with vast institutional memory (CFCU/EUD) has advantages – consult their service prior to deciding about mentioned elements.

**Methodology applied in the context of market analysis must not** result in unequal treatment/distortion of competition.

Both, PRAG (section 2.5.4) and Directive 2014/24/EU (art. 41), are approaching with due care to the issue of **prior involvement of candidates or tenderers at the preparatory stage**. Hence, contracting authority & beneficiary contacts with potential tenderers/candidates are to be strictly regulated (signing Declarations of objectivity & confidentiality, applying measures aimed at preventing distortion of competition).

Overarching issue stemming from prior involvement of candidates or tenderers is how to **assure equal treatment/avoid distortion of competition**.

# Preparatory stage do's & don'ts



Exclusion of the particular entity is the most extreme measure – it may be applied only upon application of **contradictory procedure**. CA should first try to remedy informational disbalance by making corresponding information available to all candidates/tenderers. Prior to exclusion, tenderer/candidate must be invited to prove that his/her prior engagement will not distort competition.

**Distortion of competition** can be revealed at any stage, later revealed - grimmer the consequences (e.g. if established as a fact during contract implementation – termination of the contract & withdrawal of EU funds).

**Distortion of competition** due to previous involvement represents the reason for rejection from given procedure (PRAG sub-section 2.6.10.1.2):

*.... c) was previously involved in the preparation of procurement documents used in the award procedure where this entails a breach of the principle of equality of treatment, **including distortion of competition that cannot be remedied otherwise.***

# Preparatory stage do's & don'ts



While **sequencing components within same project/action document** can make sense at the level of project design, it is the most undesirable solution when it comes to procurement. If reasonably practicable, opt for phasing between different programming years. Always elaborate contingency plan in case a particular procurement procedure fails to materialise.

**Power to say no** – too many gaps and errors revealed at the preparatory stage, including insufficient beneficiary/end recipient capacity or willingness to act, unregistered contacts with potential candidates/tenderers may be considered as a valid signal to pull the plug. Terminating the project prior to engaging significant resources will enable BC country to concentrate resources where they would be the most effective/produce the highest impact. If there is no other alternative then to go on (e.g. projects under political criteria), assure additional resources (e.g. outsourcing arrangements, introducing additional layers of control etc.).

**Formally agreed mutual responsibilities** - set relations between key actors in a formal manner prior to engaging into procurement activities (e.g. End recipient agreements). Willingness of some actors to assume responsibilities (especially if this implies putting additional resources at the disposal) may dramatically decrease as time elapses.



# Procurement planning

***Procurement plan – plan identifying the timeline for realization of specific procurement procedures tendered under the responsibility of particular contracting authority, broken down per responsible actors and distinctive stages/milestones.***

***PP is much more:***

- ✓ Monitoring progress against plan (planned vs actual)
- ✓ Key procurement data at hand – e.g. contract title, maximum budget, unique identification number, responsible staff, beneficiary/end recipient, type of contract, applicable procedure
- ✓ State of play - enabling management overview and timely action in case of setbacks/delays – regularly updated status of each procurement procedure
- ✓ Performance metrics – by measuring departures from planned dates, management can objectively measure the overall quality of forecasting, pinpoint problematic stages and responsible actors and anticipate possible bottlenecks
- ✓ List of events/transactional decisions triggering risk management and remedial measures (e.g. action plans for acceleration of procurement procedures at the risk of falling outside of the contracting deadline)

# Procurement planning

*OECD: procurement plan may also include:*

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- ✓ **SWOT analysis from the points of CA and candidate/tenderer** (the strengths and weaknesses are normally internal to the contracting authority and the opportunities and threats are usually external).
- ✓ **Knowledge gaps to fill and actions taken to fill the gap**
- ✓ **Risk management proceedings** (e.g. risk register)
- ✓ **Deliverables and related strategy to deliver deliverables** (e.g. early versions of selection and award criteria, “packaging” strategy etc.)
- ✓ **Action plan** (e.g. Gantt chart)

# Procurement planning



Entrusting novice with a senior job – procurement planning requires mileage, lot's of hands-on experience. Junior staff may be entrusted with analytics (SWOT, participation on risk management panels, market analysis tasks etc.) and to observe the entire processes.

Procurement planning – expect Murphy's law in full swing. Go with the worst case scenario first, mitigate key risks, develop contingency plan and then keep it conservative.

Falling under the trap of wishful thinking – something will happen when most convenient or desired by management, without taking into consideration specific circumstances affecting particular procedure. “You may vote labour but think conservative when planning”.

Using robot mode – using standard formula to automatically calculate timelines. No exceptions.



# Procurement planning

## *Typical don'ts in case of procurement planning*



Disassociating risk management from the procurement planning.

Learn from planning mistakes with equal passion as if you're celebrating success.

Ability to realistically plan is a token of organisational maturity.

# EU PROJECT PREPARATION FACILITY PROJECT

All documents, information, materials and pictures from this EU PPF training are available for download in the download section of our site [www.ppf.rs](http://www.ppf.rs)

# Questions and assistance

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**Thank you for your attention!**