

Project Procurement Management

ENG. (MS.) KITHMA VIDANAPATHIRANA

A solid orange horizontal bar at the bottom of the slide.



Project Procurement Management

Project Procurement Management

- Project Procurement Management includes the processes necessary to purchase or acquire products, services, or results needed from outside the project team

Processes of project procurement management

1

- Plan Procurement Management

2

- Conduct Procurements

3

- Control Procurements

1. Plan procurement management

- Process of documenting project procurement decisions, specifying the approach and identifying potential sellers.
- **Key benefit:** it determines whether to acquire goods and services from outside the project and, if so, what to acquire as well as how and when to acquire it.

Plan procurement management- Overview

Plan Procurement Management

Inputs

- .1 Project charter
- .2 Business documents
 - Business case
 - Benefits management plan
- .3 Project management plan
 - Scope management plan
 - Quality management plan
 - Resource management plan
 - Scope baseline
- .4 Project documents
 - Milestone list
 - Project team assignments
 - Requirements documentation
 - Requirements traceability matrix
 - Resource requirements
 - Risk register
 - Stakeholder register
- .5 Enterprise environmental factors
- .6 Organizational process assets

Tools & Techniques

- .1 Expert judgment
- .2 Data gathering
 - Market research
- .3 Data analysis
 - Make-or-buy analysis
- .4 Source selection analysis
- .5 Meetings

Outputs

- .1 Procurement management plan
- .2 Procurement strategy
- .3 Bid documents
- .4 Procurement statement of work
- .5 Source selection criteria
- .6 Make-or-buy decisions
- .7 Independent cost estimates
- .8 Change requests
- .9 Project documents updates
 - Lessons learned register
 - Milestone list
 - Requirements documentation
 - Requirements traceability matrix
 - Risk register
 - Stakeholder register
- .10 Organizational process assets updates

Tools and Techniques

Source selection analysis – This is a process to review the prioritization of the competing demands for the project.

Commonly used Source Selection methods:

- **Least cost:** applicable when well-established practices and standards exist and from which a specific and well-defined outcome is expected, which can be executed at different costs.

Source Selection Methods

- **Qualifications only:** applies when the time and cost of a full selection process would not make sense because the value of the procurement is relatively small.
- The buyer establishes a short list and selects the bidder with the best credibility, qualifications, experience, expertise, areas of specialization, and references.

Source Selection Methods

- **Quality-based/highest technical proposal score:** The selected firm is asked to submit a proposal with both technical and cost details and is then invited to negotiate the contract if the technical proposal proves acceptable.
- Using this method, technical proposals are first evaluated based on the quality of the technical solution offered.
- The seller who submitted the highest-ranked technical proposal is selected if their financial proposal can be negotiated and accepted.

Source Selection Methods

- **Quality and cost based:** The quality and cost-based method allows cost to be included as a factor in the seller selection process.
- In general, when risk and/or uncertainty are greater for the project, quality should be a key element when compared to cost.

Source Selection Methods

- **Sole source:** The buyer asks a specific seller to prepare technical and financial proposals, which are then negotiated.
- Since there is no competition, this method is acceptable only when properly justified and should be viewed as an exception.

Source Selection Methods

- **Fixed budget:** The fixed-budget method requires disclosing the available budget to invited sellers in the RFP and selecting the highest-ranking technical proposal within the budget.
- Because sellers are subject to a cost constraint, they will adapt the scope and quality of their offer to that budget.
- The buyer should therefore ensure that the budget is compatible, and that the seller will be able to perform the tasks within the budget.

Outputs

- **Procurement management plan** : Contains the activities to be undertaken during the procurement process.
- It should document whether international competitive bidding, national competitive bidding, local bidding, etc., should be done.
- If the project is financed externally, the sources and availability of funding should be aligned with the procurement management plan and the project schedule.

The procurement management plan can include guidance for:

- How procurement will be coordinated with other project aspects, such as project schedule development and control processes
- Timetable of key procurement activities
- Stakeholder roles and responsibilities related to procurement, including authority
- Constraints and assumptions that could affect planned procurements
- The legal jurisdiction and the currency in which payments will be made
- Risk management issues including identifying requirements for performance bonds or insurance contracts to mitigate some forms of project risk
- Prequalified sellers, if any, to be used

2. Conduct procurements

- Process of obtaining seller responses, selecting a seller, and awarding a contract.
- **Key benefit:** it selects a qualified seller and implements the legal agreement for delivery.

3. Control procurements

- Process of managing procurement relationships; monitoring contract performance and making changes and corrections as appropriate; and closing out contracts.
- **Key benefit:** it ensures that both the seller's and buyer's performance meet the project's requirements according to the terms of the legal agreement