

# **Project Procurement Management**

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# Project Procurement Management

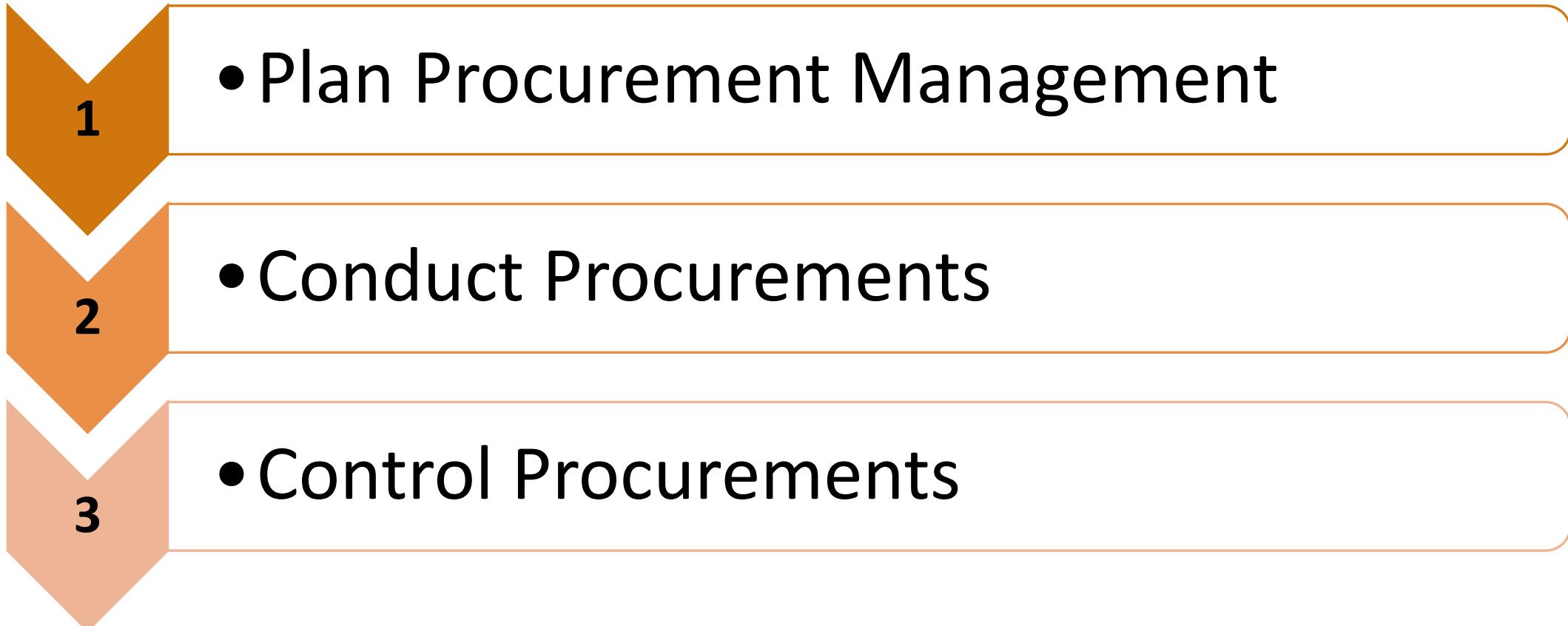
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# Project Procurement Management

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- 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

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- 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	Tools & Techniques	Outputs
<ul style="list-style-type: none"><li>.1 Project charter</li><li>.2 Business documents<ul style="list-style-type: none"><li>• Business case</li><li>• Benefits management plan</li></ul></li><li>.3 Project management plan<ul style="list-style-type: none"><li>• Scope management plan</li><li>• Quality management plan</li><li>• Resource management plan</li><li>• Scope baseline</li></ul></li><li>.4 Project documents<ul style="list-style-type: none"><li>• Milestone list</li><li>• Project team assignments</li><li>• Requirements documentation</li><li>• Requirements traceability matrix</li><li>• Resource requirements</li><li>• Risk register</li><li>• Stakeholder register</li></ul></li><li>.5 Enterprise environmental factors</li><li>.6 Organizational process assets</li></ul>	<ul style="list-style-type: none"><li>.1 Expert judgment</li><li>.2 Data gathering<ul style="list-style-type: none"><li>• Market research</li></ul></li><li>.3 Data analysis<ul style="list-style-type: none"><li>• Make-or-buy analysis</li></ul></li><li>.4 Source selection analysis</li><li>.5 Meetings</li></ul>	<ul style="list-style-type: none"><li>.1 Procurement management plan</li><li>.2 Procurement strategy</li><li>.3 Bid documents</li><li>.4 Procurement statement of work</li><li>.5 Source selection criteria</li><li>.6 Make-or-buy decisions</li><li>.7 Independent cost estimates</li><li>.8 Change requests</li><li>.9 Project documents updates<ul style="list-style-type: none"><li>• Lessons learned register</li><li>• Milestone list</li><li>• Requirements documentation</li><li>• Requirements traceability matrix</li><li>• Risk register</li><li>• Stakeholder register</li></ul></li><li>.10 Organizational process assets updates</li></ul>

# 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

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- **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

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- **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

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- **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

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- **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

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- **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

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- 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

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- 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

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- 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