

Project Procurement Management

- **Introduction**

- It's a group of processes required to purchase or to acquire the products, services, goods or results needed from outside of the project team to perform the work.

- **Project Procurement Management Processes:**

1. *Plan Purchase and Acquisition*
2. *Plan Contract*
3. *Request Seller Responses*
4. *Select Sellers*
5. *Contract Administration*
6. *Contract Closure*

- **Procurement Management Process Flow**

- Trigger: Need for Procurement
- Step 1: Procurement Planning //Output: Make Buy Decision
- Step 2: Contract Planning //Output: Issue Request for Proposal
- Step 3: Request Seller Response //Output: Receive Proposal
- Step 4: Selecting Seller //Output: Award Contract
- Step 5: Contract Administration //Output: Product/Service/Goods Acquired
- Step 6: Contract Closeout //Output: Formal Closure to the Contract

- **Plan Procurement Management Process:**

1. **Plan Procurement Management**—The process of documenting project procurement decisions, specifying the approach, and identifying potential sellers.
2. **Conduct Procurements**—The process of obtaining seller responses, selecting a seller, and awarding a contract.
3. **Control Procurements**—The process of managing procurement relationships, monitoring contract performance, and making changes and corrections as appropriate.
4. **Close Procurements**—The process of completing each project procurement.

- Short Description

- It involves agreements, including contracts, which are legal documents between a buyer and a seller.
- A contract represents a mutually binding agreement that obligates the seller to provide something of value (e.g., specified products, services, or results) and obligates the buyer to provide monetary or other valuable compensation.
- A procurement contract includes terms and conditions, and may incorporate other items that the buyer specifies as to what the seller is to perform or provide.

- **Plan Procurement Mgmt + (decision)**

- Process of documenting project procurement decisions, specifying the approach, and identifying potential sellers.
- It determines whether to acquire outside support, and if so, what to acquire, how to acquire it, how much is needed, and when to acquire it.

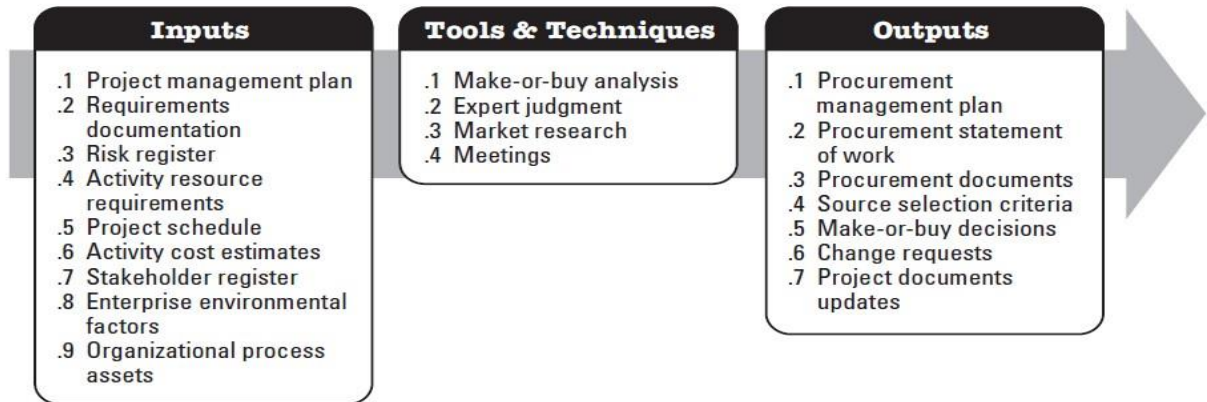


Figure 12-2. Plan Procurements: Inputs, Tools & Techniques, and Outputs

- **Make Buy Checklist**

1. Reasons to make
 - ✓Cheaper to Make
 - ✓Experience making it
 - ✓Idle production facility available
 - ✓Compatible and fits in production line
 - ✓Part is proprietary
 - ✓Not dependent on supplier
 - ✓High transportation costs
2. Reasons to Buy
 - ✓Cheaper to Buy
 - ✓No Production Facility
 - ✓Avoid fluctuating or seasonal demand
 - ✓Inexperience with making process
 - ✓Available suppliers
 - ✓Maintain existing suppliers
 - ✓Higher reliability and quality

- **Make or Buy Analysis**

- It is a general management technique used in determining whether an organization should make or perform a particular product or service inside the organization or buy from someone else.
- Often involves financial analysis, includes both direct and indirect costs.
- Experts could be used for analysis.
- Make Buy Decision Tree analysis could be done as well.

• **Conduct Procurement**

- process of obtaining seller responses, selecting a seller, and awarding a contract
- it provides alignment of internal and external stakeholder expectations through established agreements

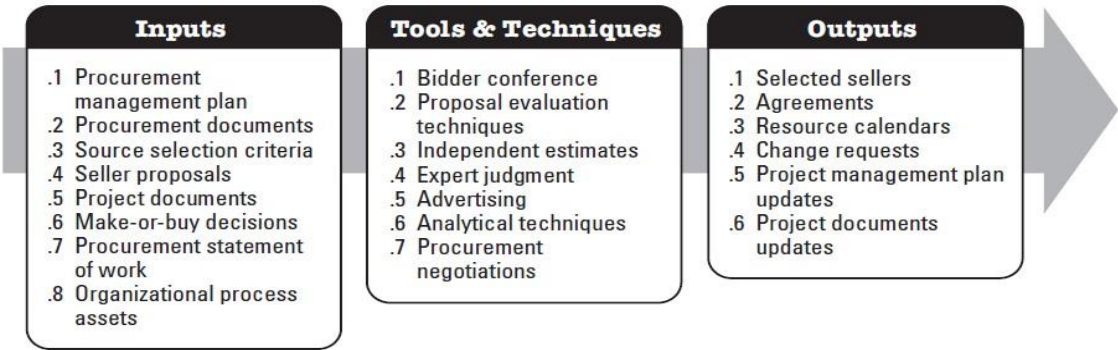


Figure 12-4. Conduct Procurements: Inputs, Tools & Techniques, and Outputs

• **Control Procurement**

- process of managing procurement relationships, monitoring contract performance, and making changes and corrections to contracts as appropriate
- it ensures that both the seller's and buyer's performance meets procurement requirements according to the terms of the legal agreement

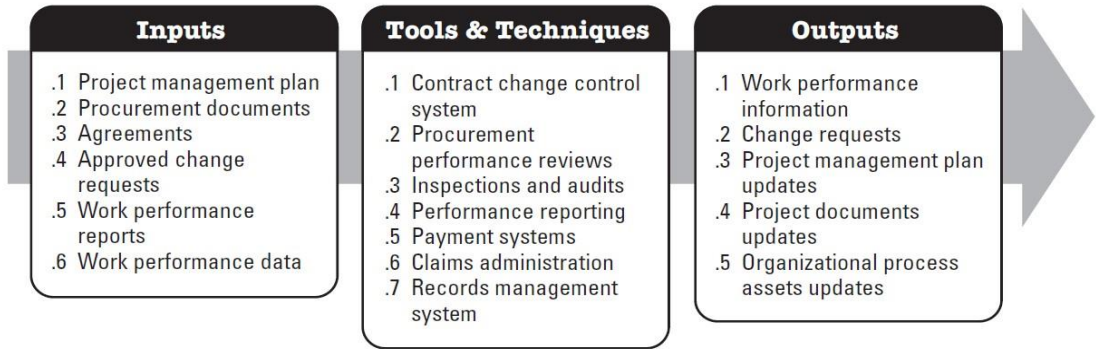


Figure 12-6. Control Procurements: Inputs, Tools & Techniques, and Outputs

• **Close Procurement**

- process of completing each procurement
- it documents agreements and related documentation for future reference
- involves administrative activities such as finalizing open claims, updating records to reflect final results, and archiving such information for future use



Figure 12-8. Close Procurements: Inputs, Tools & Techniques, and Outputs

- **The Public Procurement Act-2063 (2007)**

- **Preamble:** Whereas, it is expedient to make legal provisions in order to make the procedures, processes and decisions relating to public procurement much more open, transparent, objective and reliable, obtain the maximum returns of public expenditures in an economical and rational manner by promoting competition, fairness, honesty, accountability and reliability in public procurement processes, and;
- ensure good governance by enhancing the managerial capacity of procurement of public entities in procuring, or causing to be procured, construction work and procuring goods, consultancy services and other services by such entities and by ensuring the equal opportunity for producers, sellers, suppliers, construction entrepreneurs or service providers to participate in public procurement processes without any discrimination;

1. CHAPTER- 1: Preliminary
2. Chapter-2: Provisions Relating to Responsibility for Procurement and Its Methods
3. Chapter-3: Provisions Relating to Bid
4. Chapter-4: Provisions Relating to Consultancy Services
5. Chapter-5: Other Provision Relating to Procurement
6. Chapter-6: Provision Relating to Review of Procurement Proceedings or Decision
7. Chapter-7: Provision Relating to Procurement contract
8. Chapter-8: Provision Relating to Conduct
9. Chapter-9: Provision Relating to Monitoring of Procurement Activities
10. Chapter-10: Miscellaneous

- **Contract**

- Contract is an agreement made between two or more parties to do or not to do any business, which is enforceable by law. A contract is awarded to each selected seller. It is the key output of the Seller Selection Process. Project Contracts should be treated as two way contracts. A contract objectively addresses:
 - *The type of support and service required*
 - *The timing and cost of services*
 - *Task/outcome specific performance measurement criteria*
 - *Fall back and contingency arrangements*
 - *TOR and Project Description*

- **Contract Negotiation**

- It clarifies the structure and requirements of the contract so that mutual agreement can be reached prior to signing the contract. Five stages of Negotiation are:
 - *Protocol (Get to know each other)*
 - *Probing (Each party identifies issues of concern)*
 - *Scratch Bargaining (Bargaining occurs, concessions are made)*
 - *Closure (to positions summed up and final concessions made)*
 - *Agreement (Both Party have identical understanding of agreement)*

- **Contract Types**

- A. Fixed Price Contracts (*Fixed Price Lump Sum Contracts and Fixed Price Incentive Contracts*)
- B. Cost Reimbursable Contracts
 - *Cost Plus Fee or Cost Plus Percentage of Cost Contract,*
 - *Cost Plus Fixed Fee and Cost Plus Incentive Fee*
- C. Time and Material Contracts (*Unit Price Contracts and Turn Key Contract*)