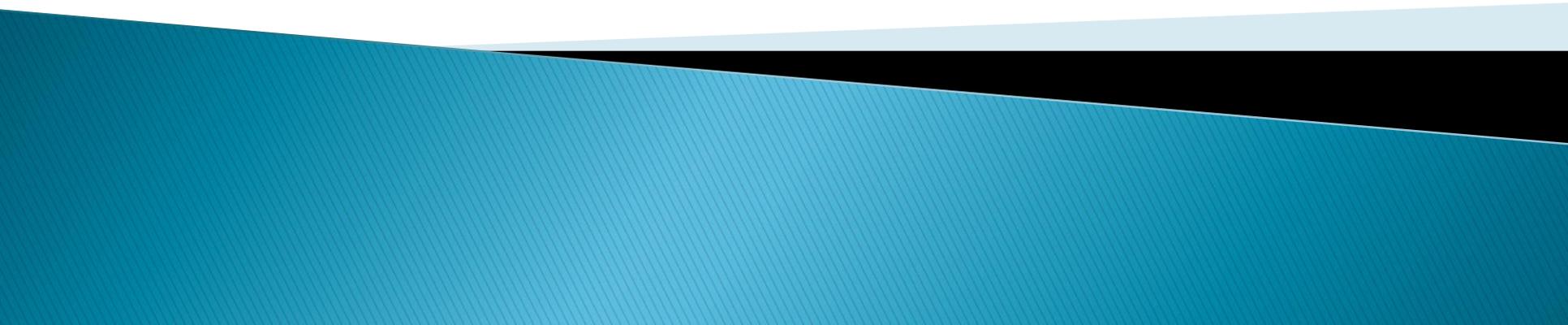


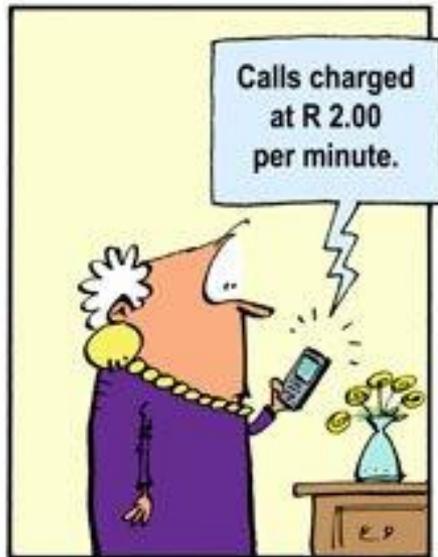
Streamlining Procurement Practices

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Why do we need to streamline?

- ▶ We can't document what we need
 - ▶ We can't evaluate tenders within the validity period
 - ▶ We can't get a contractor on site
 - ▶ We can't get the project started
 - ▶ We can't deliver the project
 - on time,
 - in budget,
 - to the right quality, and
 - to the satisfaction of the client
- 

What is Procurement?

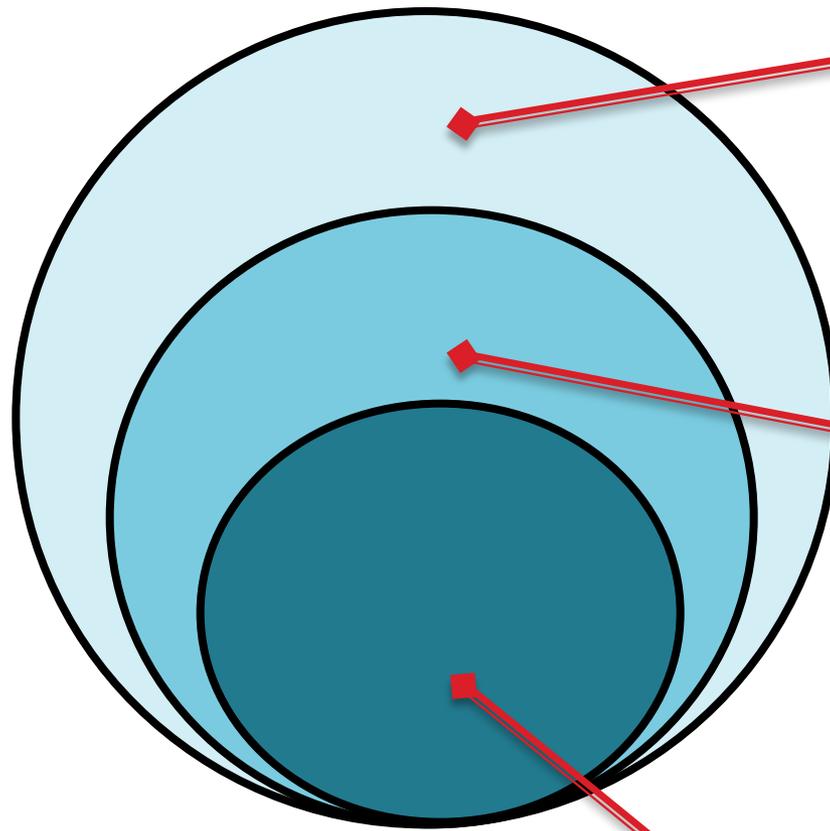
- ▶ Definition:
 - Procurement is the process that creates, manages and completes projects.

- ▶ BUT – it is only a part of the Supply Chain

The Supply Chain.....

- ▶ We have regulations that prescribe a Supply Chain for the public sector:
 - *Demand Management*
 - *Acquisition Management*
 - *Logistics -->*
 - *Disposal Management*
 - *Risk Management*
- ▶ BUT – it is only part of a Delivery System

Delivery System Components



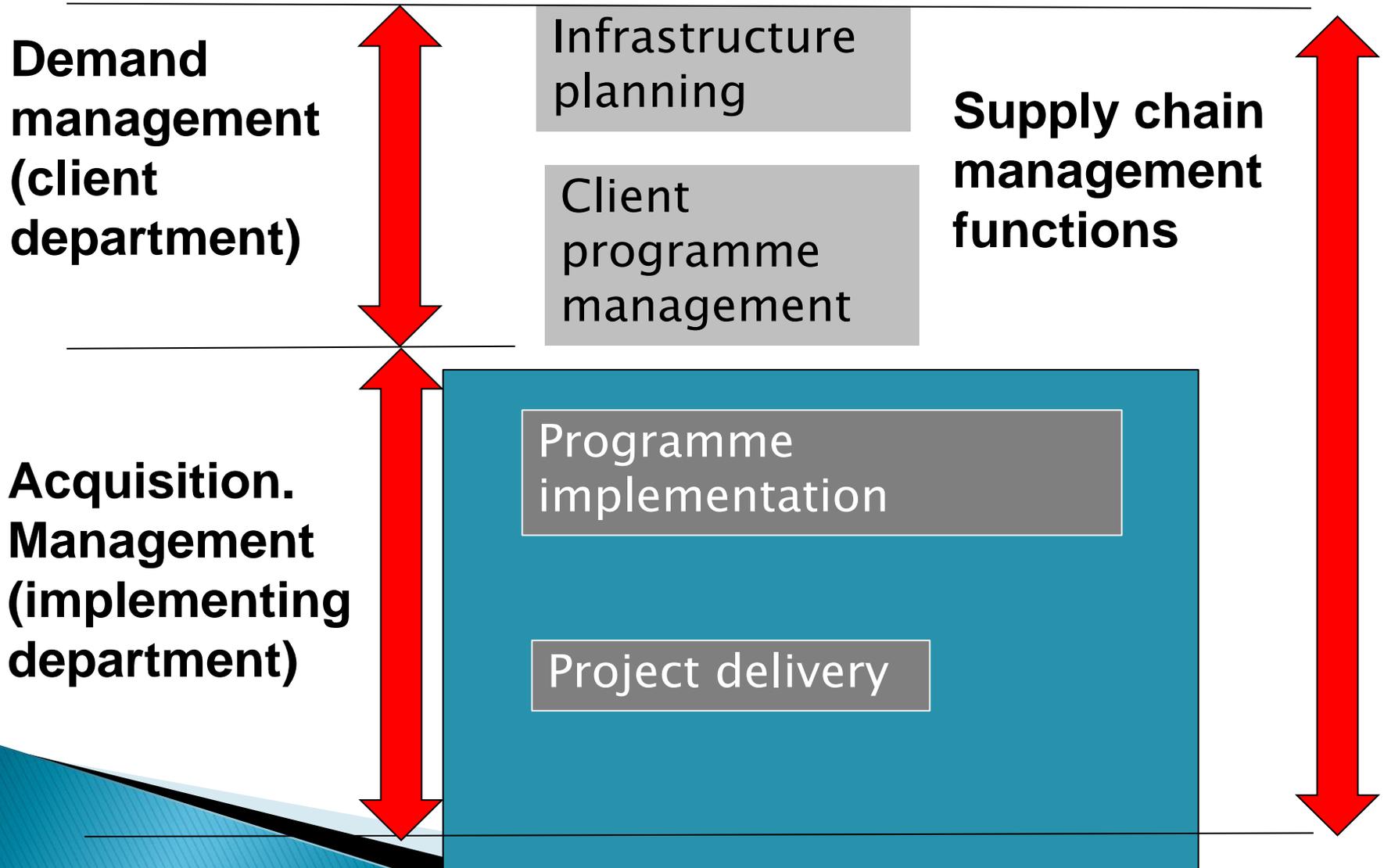
**Delivery
Management
System**

**Supply Chain
Management**

- Demand Management
- Acquisition Management
- Logistics
- Disposal Management
- Risk Management

Procurement

Delivery System Details



Supply chain management – Background

- ▶ **Policy Strategy to Guide Uniformity in Procurement Reform Processes in Government (2003)**
 - replace the outdated **tender board system**
 - expected to optimise **efficiency** at **every** stage of the process
 - intended to link into government's **budgetary planning** processes
 - strong focus on the **outcomes** of actual expenditure

SCM Regulations.....

- ▶ Accounting officer or accounting authority must:
 - develop and implement an effective and efficient **SCM system** which provides for **at least** demand, acquisition, logistics, disposal and risk management, and the **regular assessment** of supply chain performance;
 - establish a **SCM unit** within the office of that institution's chief financial officer, to implement the institution's supply chain management system; and
 - procure goods and services above a threshold through a bidding process involving **adjudication, evaluation** and **specification committees**

Basic Public Procurement Types

- ▶ General Goods
- ▶ **Type 1: supply and service contracts**
 - Involves sourcing, purchasing, receipt, storage and issuing of goods to employees / end users
- ▶ Construction Industry
- ▶ **Type 2: delivery and maintenance of infrastructure**
 - Involves procurement and management of a network of suppliers, including subcontractors to produce a product
- ▶ **Differences –risks that need to be managed and the performance metrics**

*The split was recognised in the SCM Regulations:
“For construction procurement, the prescripts of the CIDB shall be used”*

Supply Chain Systems

General goods and services

Demand management

Procurement

Payment

Standard, well defined and scoped services

Demand management

Sourcing

Purchasing

Receipt of goods

Storage of goods

Issuing of goods to employees

Off the shelf products /readily available commodities

Focus on treasury practice notes etc

Supply Chain Systems

General goods and services

Demand management

Demand management

Sourcing

Procurement

Purchasing

Payment

Receipt of goods

Storage of goods

Issuing of goods to employees

Standard, well defined and scoped services

Off the shelf products /readily available commodities

Focus on treasury practice notes

Delivery and maintenance of infrastructure

Portfolio planning processes

Contract planning processes

Detailed design processes

Site processes

Close out processes

Management processes

+

Procurement processes

Construction Works (products) developed or maintained on a site

Focus on cidb prescripts, best practices



Prior to SCM Regulations

Built Environment
Professionals Dominate
Procurement Activities

Technical merits placed
ahead of governance

Transparency challenges

Where's
the
optimal
balance?

After SCM Regulations

SCM Officials Dominate
Procurement Activities

Technical voice not heard

Procedures placed ahead
of merit

Is there a case for a separate
supply chain for the delivery
and maintenance of
infrastructure?



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ANSWER?

Built environment officials must apply their skills and SCM officials

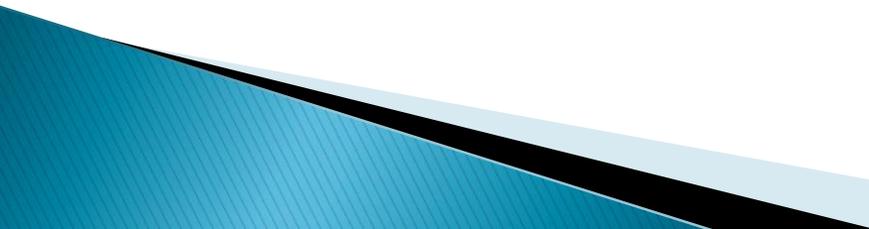
- co-ordinate and manage interfaces with treasury
- monitor performance
- confirm compliance with processes
- collate and compile reports

Is there a case for a separate supply chain for the delivery and maintenance of infrastructure?

SCM Committee Structure

- ▶ **Specification committee**
 - ▶ **Evaluation committee**
 - ▶ **Adjudication committee**
- 

Specification committee

- ▶ Confirm that the:
 - procurement documents have been **formatted** and **compiled** in accordance with the requirements of the **standard** and the organization's **procurement policy**;
 - selected procurement options will satisfy project objectives and are likely to **yield best value** outcomes;
 - scope of work **adequately** establishes what is required;
 - the **risk allocations** are appropriate.
- 

Evaluation committee

Evaluate in accordance with:

- ▶ Standard Conditions of Tender

and

- ▶ Procurement Documents
 - Eligibility criteria
 - Evaluation method (1, 2, 3, or 4)
 - Procurement procedure

Evaluate in terms of the procurement documents

=

Eligibility criteria

- contained in Tender Data

Method for evaluating submissions

- Method 1: Financial offer
- Method 2: Financial offer and preferences
- Method 3: Financial offer and quality
- Method 4: Financial offer, quality and preferences

Procurement procedure

- Competitive selection:
 - Nominated / Open / Qualified / Quotation / Proposal procedure using the two-envelope system or two-stage system / Shopping
- Negotiated
- Competitive negotiations (Open / restricted)

Adjudication committee

- ▶ **Verify compliance** with the standards and policy
 - ▶ Confirm **integrity** of the process
 - ▶ Confirm the **reasons** for overlooking tenderers / respondents
- 

Formulation of committees

- ▶ **Specification Committee**

- Technical
- SCM

- ▶ **Evaluation Committee**

- Technical
- SCM

- ▶ **Adjudication Committee**

- Senior Management
 - *Call in Technical or SCM for clarifications*

Formulation of committees

- ▶ **Specification Committee**
 - Technical
 - SCM
- ▶ **Evaluation Committee**
 - Technical
 - SCM
- ▶ **Adjudication Committee**
 - Senior Management

Questions to be answered by Senior Management?

- was procurement fair, equitable, transparent, competitive and cost effective?
- was the organisation's policy and procurement procedures (including those prescribed by the CIDB) followed?
- are the reasons for overlooking a tenderer valid?
- have any commercial risks been overlooked?

Roles in the process

	Stage	Technical	SCM Official
1	Establish what is to be procured	<ul style="list-style-type: none"> Identify the need 	<ul style="list-style-type: none"> Check if it is necessary
2	Decide on procurement strategies	<ul style="list-style-type: none"> Draw up specifications Optimise Best Value 	<ul style="list-style-type: none"> Ensure procedures, methods and processes comply
3	Solicit tender offers	<ul style="list-style-type: none"> Notify suitable tenderers? 	<ul style="list-style-type: none"> Conduct Tender Process
4	Evaluate tender offers	<ul style="list-style-type: none"> Evaluate technical content Motivate / recommend 	<ul style="list-style-type: none"> Evaluate compliance with Cond of Tender Check that contract may be awarded
5	Award the contract	<ul style="list-style-type: none"> Substantiate (if needed) 	<ul style="list-style-type: none"> Administer process of acceptance
6	Administer contracts and confirm compliance	<ul style="list-style-type: none"> Complete technical and quality control Contract Conditions 	<ul style="list-style-type: none"> Budgetary control over variations

Governance and control

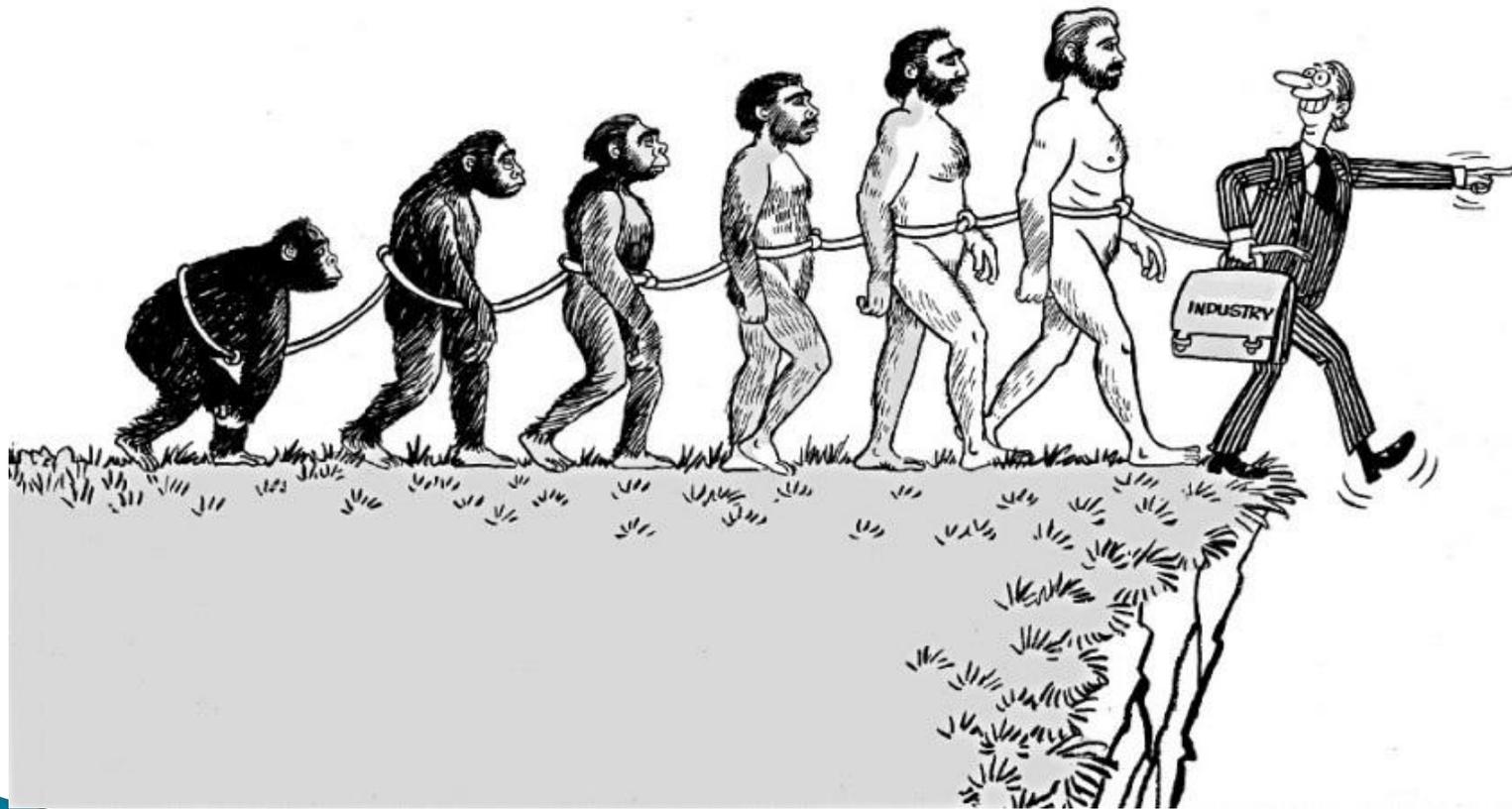
Stage Oversight structures

1	Establish what is to be procured	<ul style="list-style-type: none">• Designated person makes decision to proceed / not to proceed
2	Decide on procurement strategies	<ul style="list-style-type: none">• Designated person confirms selection of strategies
3	Solicit tender offers	<ul style="list-style-type: none">• Designated person<ul style="list-style-type: none">• Accepts procurement documents• Ensures finance is available• Confirms shortlist / prequalification list
4	Evaluate tender offers	<ul style="list-style-type: none">• Designated person ratifies recommendations
5	Award the contract	<ul style="list-style-type: none">• Designated person formally accepts tender offer
6	Administer contracts and confirm compliance	<ul style="list-style-type: none">• Designated person decides on<ul style="list-style-type: none">• compensation events / claims• waiver of penalties

Alternative delivery methods

- ▶ Panel / database approach for small projects
 - ▶ Long term framework agreements
 - ▶ Design and Build approach
 - ▶ Develop and Construct approach
 - ▶ Collaborative relationships
 - ▶ *Innovation!*
- 

Evolution of Procurement?



Where to?

- ▶ Is forcing it with legislation necessary?
 - ▶ Find the right sequence
 - ▶ Choose the right options
 - ▶ Put the right people in place
 - ▶ Define the outputs at each stage
 - ▶ Locate each stage in the overall system
 - ▶ Make everyone aware of their role
- 