

PROCUREMENT STRATEGY AND PROCUREMENT PLAN (PS-PP) APRIL 2019



Contents

1. OVERVIEW

2. PROCUREMENT STRATEGY

3. PROCUREMENT PLAN



2. Procurement Strategy (PS)

PS is a structured analytical approach designed to support procurement planning.

Framework to research and analyze information and data to make decisions on what constitutes a fit for purpose procurement approach.

Provides the information to prepare the Procurement Plan and support the PAD preparation.

2. Procurement Strategy

Procurement Strategy(PS) & Procurement Plan(PP) is mandatory for some projects, and is subject to review of IsDB.

The outcome of the analysis in the PS is:
a)Requirements (Specifications); b)Contract Strategy;
c)Selection Methods; d)Evaluation Methods.

The right choices in the Procurement Strategy and Plan will lead to Value for Money and Fitness for Purpose.

What is the PS?



**Guidance Note on Procurement
Planning and Strategy**

December 2018



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Islamic Development Bank

- PS is a Policy requirement
- The PS describes how the project procurement activities support the development objectives of the project
- The scope and details of the PS take into account, and are proportional to, the relevant market, scale, risk, value, and country circumstances
- The Procurement Plan is based on the PS and sets out the selection methods to be followed by the Beneficiary.

What is the PS?



Guidance Note on Procurement
Planning and Strategy

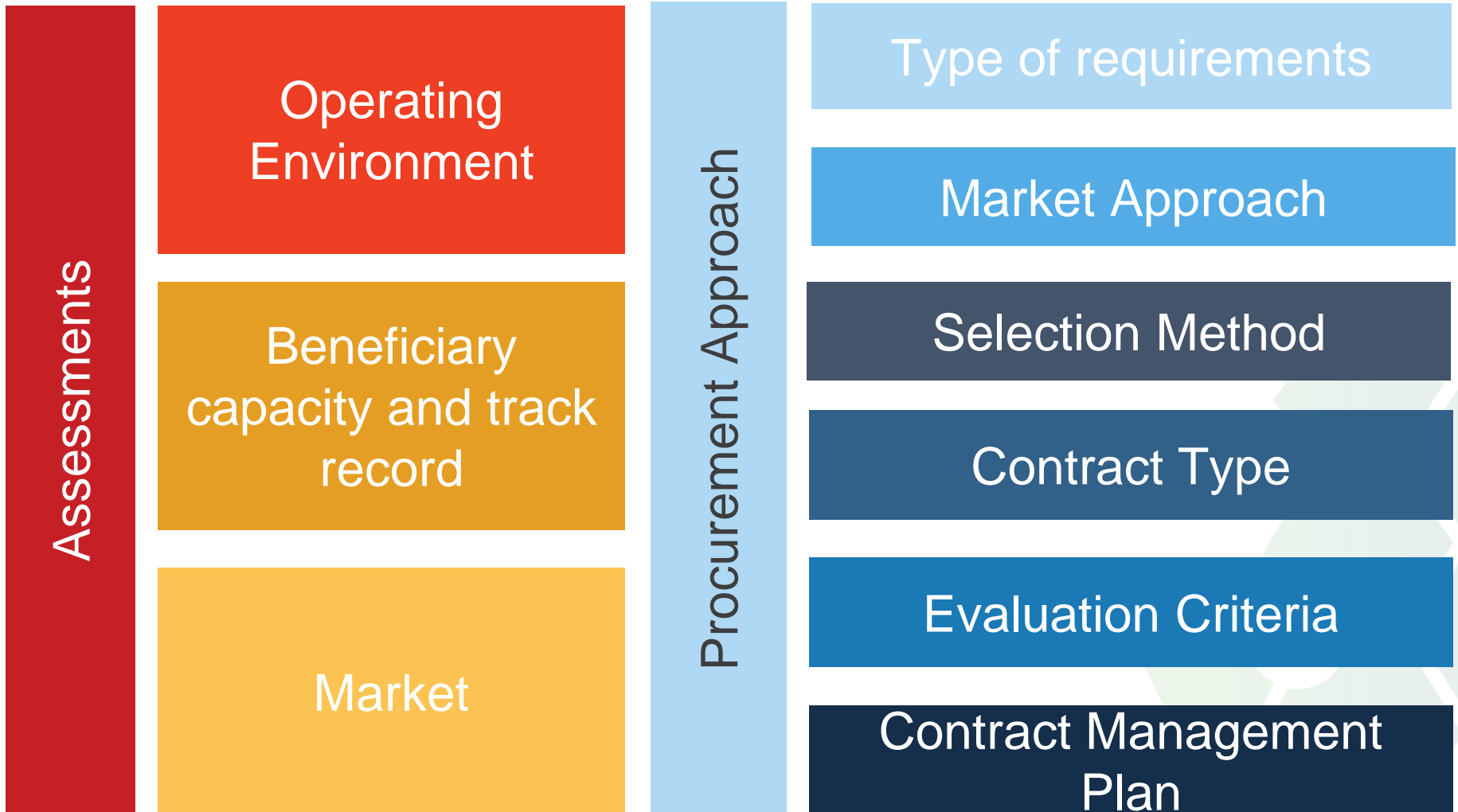
December 2018



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Islamic Development Bank

- Beneficiaries, with the Bank's assistance, prepare a PS for each project financed by IDB
- The Bank reviews the PS and approves the procurement plan
- By designing the right procurement approach, there is more likelihood of the right bidders participating, better bids being received, and an overall increased chance of achieving value for money and delivery of project outcomes to time, quality and budget

Contents of the PS



Contents of the PS

The Procurement Strategy covers the following areas:



What does a PS contain?

1. Project overview

- Project development objectives
- Results indicators
- High level statement of requirements

2. Strategic assessment

- Country - operational context – political, economic and technological maturity
- Beneficiary - capability as client
- Marketplace - market related risk
- Procurement complexity – specification, solutions, evaluation, coordination of multiple contracts

3. Risk analysis

- Risks that can be mitigated through the procurement strategy

4. Procurement objectives

- Five key objectives that support delivery of the project development objectives

5. Recommended procurement strategy

- Description of the recommended strategy and supporting rationale

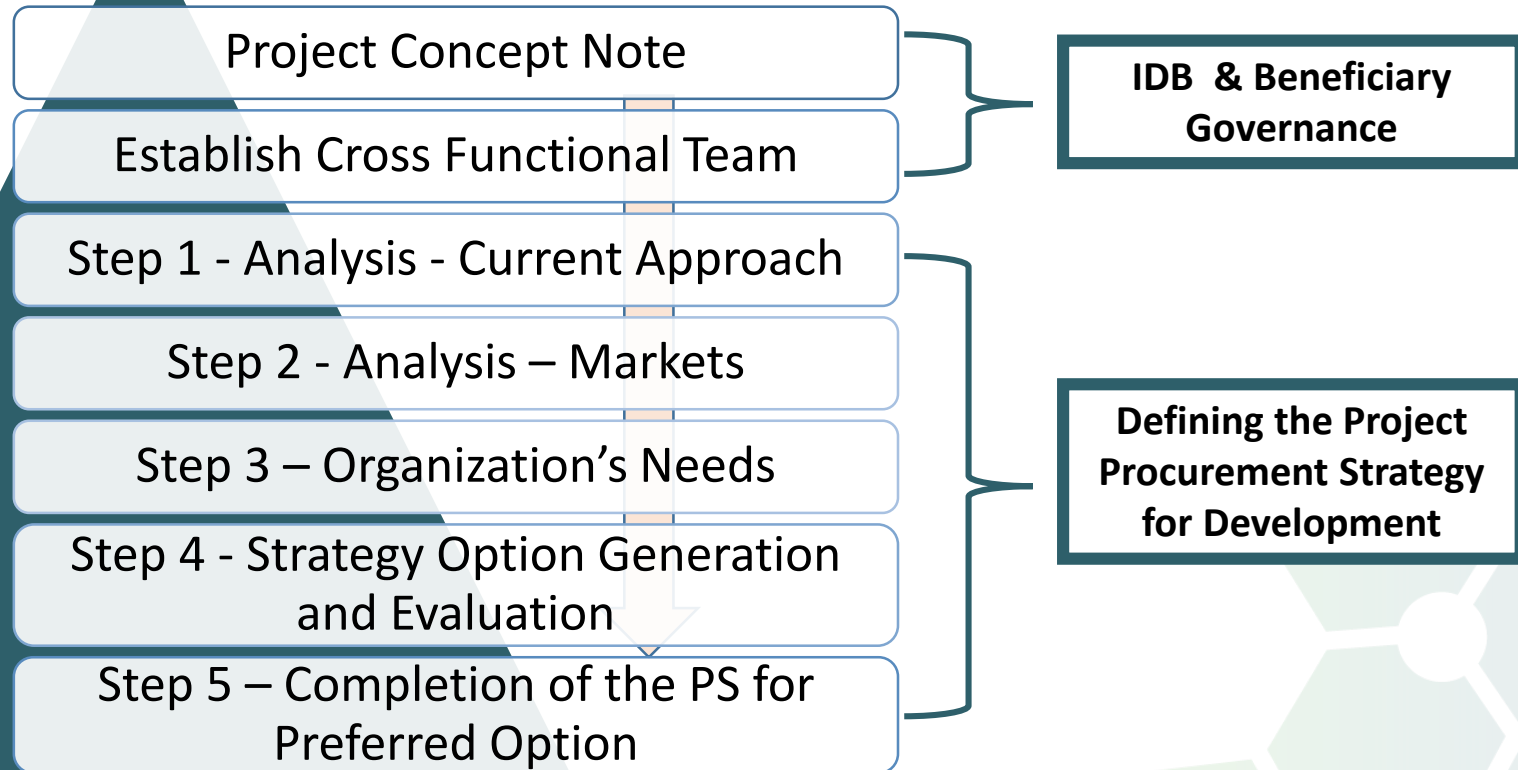
6. Activity components

- List of all contracts to be awarded and their scope in terms of value, duration and contract strategy

7. Individual component strategy

- Individual component strategy for those largest components comprising 80% of overall project value

PS: Five Key Steps



Assessments



Beneficiary capability

- What are the Beneficiary's capabilities for procurement and contract management and how can they strengthened
- Previous experience / track record in implementing similar projects / procurements



Operating environment

- What is the operating environment – Governance, Economic, Sustainability, Technological, etc.



Market assessment

- What is the nature of the market and how will the best suppliers be motivated to bid
- How do other buyers achieve value for money

Procurement Approach



Types of Requirements

- Conformance requirements
- Performance requirements



Market Approach

- Local or international
- Open, restricted or direct sourcing



Contract and Contract Management



Contract Type

- Lumpsum
- Performance based contracts
- Schedule of rates/ admeasurement
- Time and materials



Contract Management

- Contract management plan
- Risk management, monitoring of costs, key performance indicators
- Milestones and deliverables



Key Outputs of the PS

- Procurement plan (the PS provides adequate justification for the selection methods in this output)
- Summary PS highlighting the procurement arrangements for high risk activities (Disclosed in the Project Appraisal Document)
- Contract Management Plan



Project Strategy

Presentation of PS Template



Procurement Strategy Template

SECTION 1. PROJECT OVERVIEW	
Country:	Insert the Country of the Project
Region:	Insert the Region of the Project
Sector:	Insert Sectors Covered by the Project
Project Name:	Insert Project Name
Project Number:	Insert Project Number
Total Financing:	Add Total Financing Amount
Project Description:	For each contract/sub-contract, there should be a short description of what is required from the Firm, Supplier, Contractor (including sub-Contractors) or Individual including the cost estimate.
Project Development Objectives:	The Project Development Objectives should be consistent with the Project Development Objectives identified in the Project Concept Note.
Result Indicators:	Result indicators should be “SMART” indicators (Specific, Measurable, Attributable, Relevant, and Time-bound) and linked to Project outcomes. Each Project Development Objectives should be measured by one or more outcome indicators.
Proposed Procurement Contract Summary:	A summary of the proposed contracts within the Project including a Supply Positioning model for identified contracts.
Legal/Policy Requirements:	A statement of any legal or policy requirements such as the application of Alternative Procurement Arrangements, use of Stated Owned Enterprises for restricted contracts such as aerial mapping, and any policy requirements.

Procurement Strategy Template

SECTION 2. ASSESSMENT OF OPERATING AND BENEFICIARY CAPACITY

2a. Operational Context

Governance Aspects

Summary of the Governance Aspects of the Project

Economic Aspects

Summary of the Economic Aspects of the Project

Sustainability Aspects

Summary of the Sustainability Aspects of the Project

Procurement Strategy Template

**Technological
Aspects**

Summary of the Technological Aspects of the Project

Conclusions on Operational context to be addressed through the procurement approach

2b. Assessment of Beneficiary Capability and Project Implementation Unit (PIU)

Continue on Next page...

Procurement Strategy Template

This subsection should describe features of the PIU that need to be addressed to ensure that VfM is achieved. This subsection should address the following topics, as relevant to the Project:

- A. Experience implementing similar Projects and implementing IsDB Projects;
- A. Experience of use of Alternative Procurement Arrangements;
- B. The need for hands-on support to undertake a fit for purpose procurement planning, contractor/consultant selection, and contract award;
- C. Contract management capacity and capability;
- D. Complaints management and dispute resolution systems;
- E. Procurement capacity (previous experience, availability of resources and track record) to undertake successful fit for purpose procurement planning, procurement process, bid/proposal evaluation, supplier selection and contract award;
- F. The need for hands-on-support to undertake a fit for purpose procurement, from planning, contractor/consultant selection, and contract award;
- G. The reliance on, criticality of and use of professional advisors such as consultants to augment Beneficiary capability; and
- H. Lessons learned from the implementation of other similar Projects.

At the end of the Beneficiary's capability assessment, a Resourcing Plan should be created.

Conclusions on Client Capability and PIU Assessment to be addressed.

Procurement Strategy Template

SECTION 3. STAKEHOLDER ANALYSIS						
Identify the main stakeholders who have an interest or impact on the Project and whether their interest is one of responsibility, accountability, to be consulted or informed. The identified Stakeholders will need to be engaged to understand what objectives they have from the procurement.						
Stakeholder		Interest	Stakeholder	Stakeholder		
Name	Role	(Responsible, Accountable, Consulted, Informed)	Objectives from the Procurement	Management Approach		

Procurement Strategy Template

SECTION 4. PROCUREMENT RISK ASSESSMENT						
<p>This subsection analyses and prioritizes the risks identified from Section 2 that relate to the Operational Context, Market Analysis and PIU Assessment that could be mitigated through the procurement approach.</p>						
Risk Description	A	A	Overall Risk Score (A*B)	Description of Proposed Mitigation	Risk Owner	Procurement Stage
	Likelihood Rating	Impact Rating				

Procurement Strategy Template

SECTION 5. PROCUREMENT OBJECTIVES

Based upon the Strategic Analysis, Risk Assessment and Stakeholder Analysis, detail the key Procurement Objectives that if achieved will support the delivery of the Project's Development Objectives and achieve value for money. The Procurement Objectives need to be SMART — Specific, Measurable, Achievable, Realistic and Time-bound. The procurement objectives should be tested with the identified Stakeholders to ensure agreement on the prioritized list of Procurement Objectives.

Prioritized Procurement Objectives

1	
2	
3	
4	
5	

Procurement Strategy Template

SECTION 6. MARKET RESEARCH AND ANALYSIS

This subsection should identify the specific contracts to be procured and include a market analysis of each of the target market segments that is proportional in detail to the relative risk and value of the contract within the Project conducted through a Supply Positioning Model. If different markets fulfil different contracts within the Project, the market analysis should research each market.

For low-value, low-risk contracts it will generally be sufficient to detail the procurement approach in Section VII without further supporting analysis.

For all other contracts, the level of analysis to support the justification for the preferred procurement arrangement should be proportional to the procurement risk and value of the contract.

Procurement Strategy Template

This subsection should address the following topics, as relevant to the Project:

A. Research

- i. **Supply Positioning Model** — Identify the risk and value thresholds of the project;
- ii. **Segmentation of the market by geography (local, national, international), specialization or differentiation;**
- iii. **Market sector dynamics** — Nature and extent of competition, levels of experience, capability and innovation, external influences and factors, Supplier Preferencing;
- iv. **Market trends** — Technology, new services, ownership structures and alliances, market growth, new entrants;
- v. **Financial** — Sources of cost and value, cost stability, pricing strategies and mechanisms, cost and financial benchmarks; and
- vi. **Procurement trends** — Procurement s of other entities procuring similar contracts, typical contract terms, common issues that inhibit or contribute to achieving value for money, typical responses and lessons learned.

B. Analysis and Action

At the end of the Market Research stage, Beneficiaries should develop a range of Procurement Approach Options and a Market Engagement Plan.

- i. **Conclusions on the Market Analysis to be addressed through the procurement approach.**

Procurement Strategy Template

SECTION 7. PROCUREMENT APPROACH OPTIONS AND RECOMMENDATIONS

Please detail the options and the recommended procurement arrangement for the contracts detailed in the Project description and the justification for the recommended procurement arrangements based on the analysis. This Section should be completed for each contract required. Items are identified in previous sections of the Procurement Strategy and should be included. After the options analysis please detail your recommended procurement approach/arrangement.

Contract Description

Contract Category
(Works, Goods, Consultancy Firms and Individuals, and Non-Consultancy Services)

Estimated Cost

Contract Approach

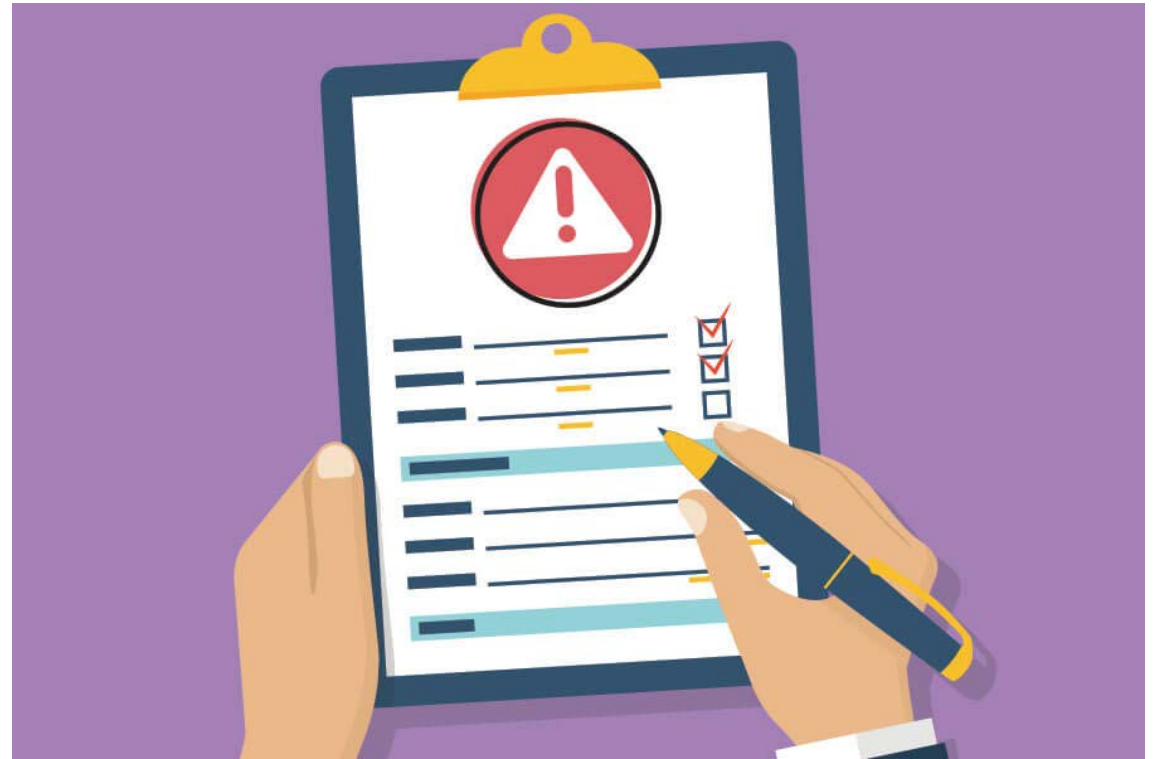
Procurement Strategy Template

Specifications	Conformance/Performance
Contract Type	<ul style="list-style-type: none"> A. Traditional B. Design and Build C. Design, Build, Operate and Maintain D. Design and Build – Turnkey or Prime Contractor E. EPC and EPCM
Pricing and Costing Mechanism	<ul style="list-style-type: none"> A. Lump Sum B. Performance based contracts C. Schedule of Rates/Admeasurement D. Time and Materials E. Cost Plus
Supplier Relationship	Adversarial/Collaborative
Price Adjustments	<ul style="list-style-type: none"> A. None, Fixed Price B. Negotiated C. Percentage
Form of Contract (Terms and Conditions)	
Selection Method	<ul style="list-style-type: none"> A. Request for Bids (RFB) B. Request for Proposals (RFP) C. Request for Quotations (RFQ) D. Direct Selection
Selection Arrangement	<ul style="list-style-type: none"> A. Public Private Partnerships (PPP) B. Commercial Practices C. United Nations (UN) Agencies D. Imports E. Commodities F. Community Driven Development

Procurement Strategy Template

Evaluation Methods	Evaluation Selection Method	<ul style="list-style-type: none"> A. Quality Cost Based Selection (QCBS) B. Fixed Budget Based Selection (FBS) C. Least Cost Based Selection (LCS) D. Quality Based Selection (QBS) E. Consultant's Qualifications Based Selection (CQS) F. Direct Selection 	
	Evaluation of Costs	<ul style="list-style-type: none"> A. Adjusted Bid Price B. Life-Cycle Costs 	
	Domestic Preference	Yes/No	
	Rated Criteria	List the type of Criteria to be used (Mandatory/Desired)	

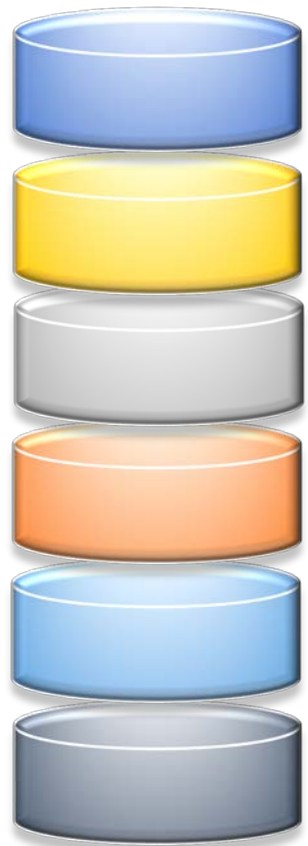
PROCUREMENT PLAN



3. Procurement Plan

Procurement plan and strategy are fundamental prerequisites for project implementation success, the new guidelines provide separate provisions that introduce clarity and visibility in this regard.

A sound procurement plan will show how:



Research and planning add value to sourcing

Effective and efficient implementation supports results

Collaborative cross-disciplinary teams/teamwork lead to strong solutions

Good governance and project management ensures delivery on time; budget and to specification

Professionalism and ethics support due process , accountability and transparency

A procurement plan serves as a catalyst for realistic completion projections and swifter disbursements

Purpose of planning

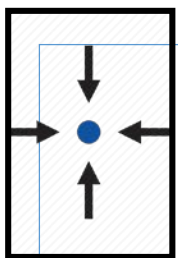
Planning is the programming of actions and operations to be carried out :



In a precise field



With precise objectives



With precise means




Over a duration (and stages) specified

Procurement Planning

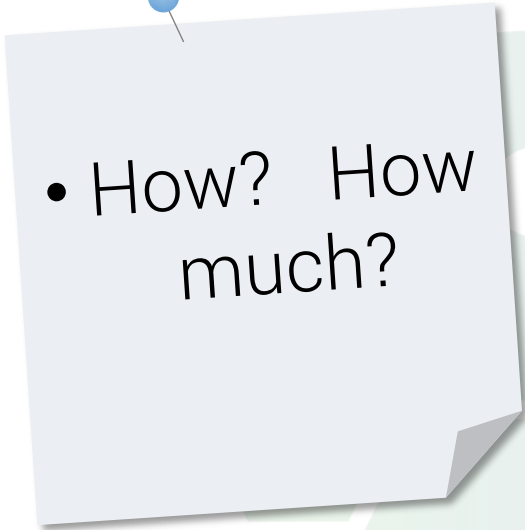
- Planning leads to a plan responding in detail and feasible key operational aspects of the type WWWHH :



- Who?
What?



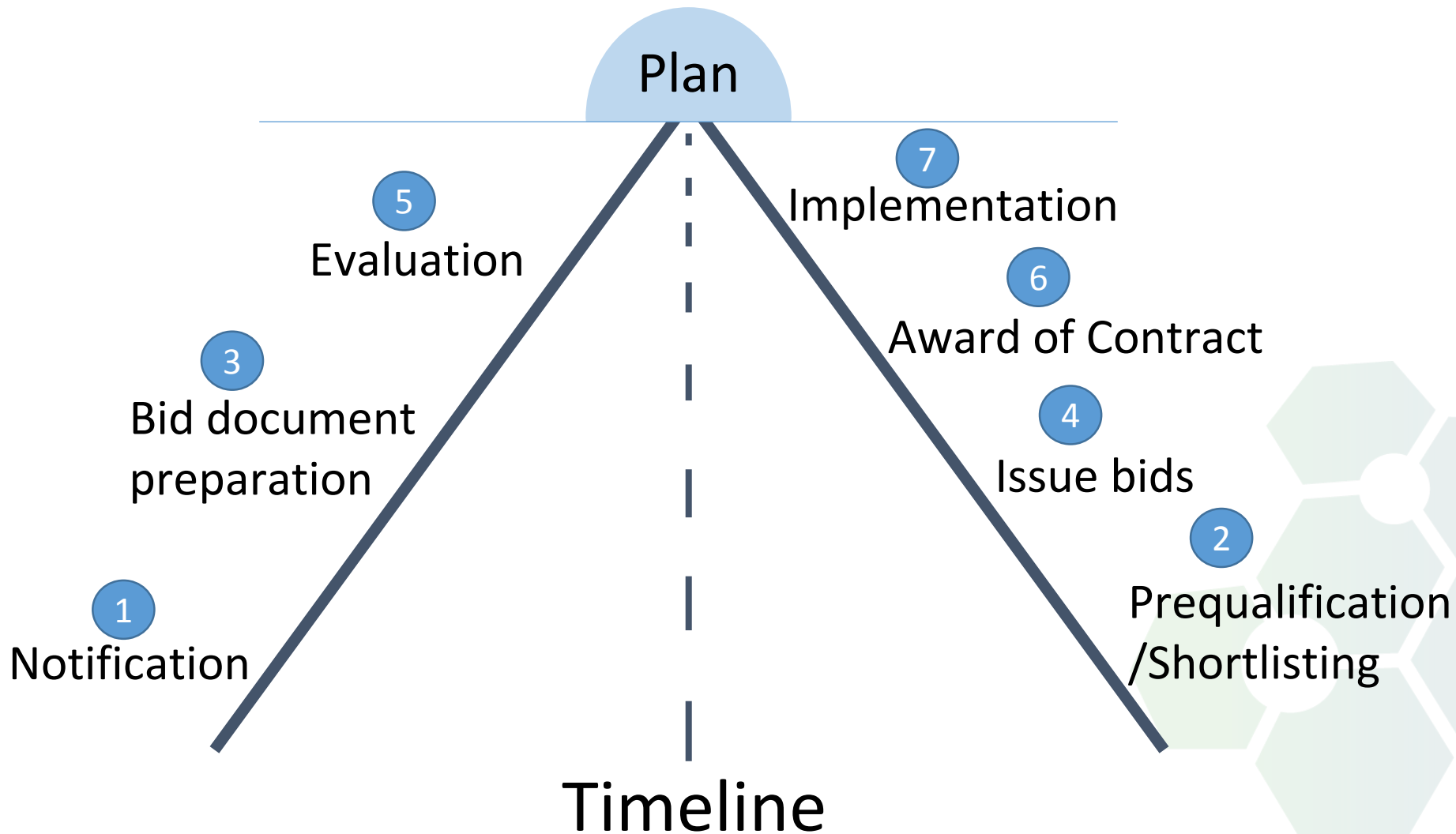
- How? How
much?



- How? How
much?

Procurement Planning

Procurement Stages



Aims of Procurement Planning

- Maximise economy and efficiency
- Promote competition
- Promote the integrity and fairness of procedures
- Increase transparency and accountability
- Increase public confidence in the procedures
- Facilitate the promotion of local suppliers and economic development.

Objectives of Procurement Planning

- Establishes direction and goals
- Is a framework for monitoring and review
- Provides early advice
- Provides the primary information for contract management
- Identifies the knowledge, skills and qualifications required

Planning Phases

The Project Procurement Plan

- Prepared by the Beneficiary and approved by the Bank as part of the Financing Agreement. The plan should cover an 18 months period.

Updated Plan

- The plan must be updated annually for the subsequent 18 months period.

Simplified Procurement Plan

PROCUREMENT PLAN PURPOSE	VERSION #	DATE: dd/mm/yy				
Procurement Plan Purpose						
Table - 1: Project Information						
Country						
Name of Beneficiary						
Project Name						
Project Pipeline Number						
Project Code (After Approval)						
Date of Approval (tentative)						
Date of Signature (tentative)						
Date of Effectiveness (tentative)						
Amount IDB financing						
Mode of Financing						
Executing Agency						
Expected date of General Procurement Notice						
Project Implementation Period						
Period covered by this plan (12 months from approval)	After 12 months, PIAR to be carried out and Procurement Plan to be updated for remaining period					
Project Components (as in RRP)	Contract Package No	Contract Package - Type and Description	Budget US\$	Procurement Methods**	Expected Date for Advertisement	Remarks



Procurement Plan

The Initial Procurement Plan

The initial plan will contain the basic data:



The particular contracts for goods, works and consultancy services for the first 18 month period



Estimated budget for each contract in \$ USD



The proposed method of procurement



The relevant bank review procedures (*see IDB Directives*)



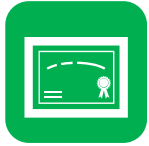
Categories (goods, works, consultancy services)



Prior/Post Reviews

Value of Planning

The plan itself provides a basis for the monitoring and control of:



Project progress



Suppliers contract performance



Competency and ability of staff



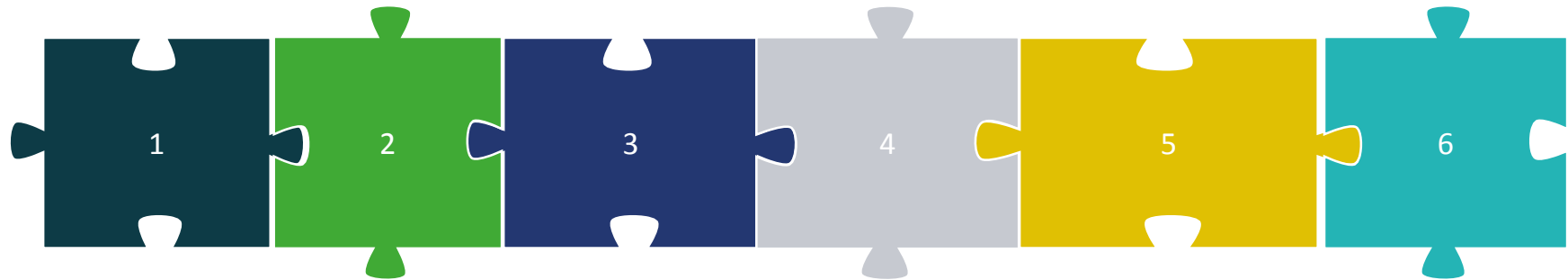
Plotting actual expenditure against budget



Determining compliance with procedures



Why are Bad Plans Created?



- Wishful thinking/optimism

- Conflicting priorities

- Protect oneself by inflating estimates to worst case

- No accurate historical data, therefore guess work used

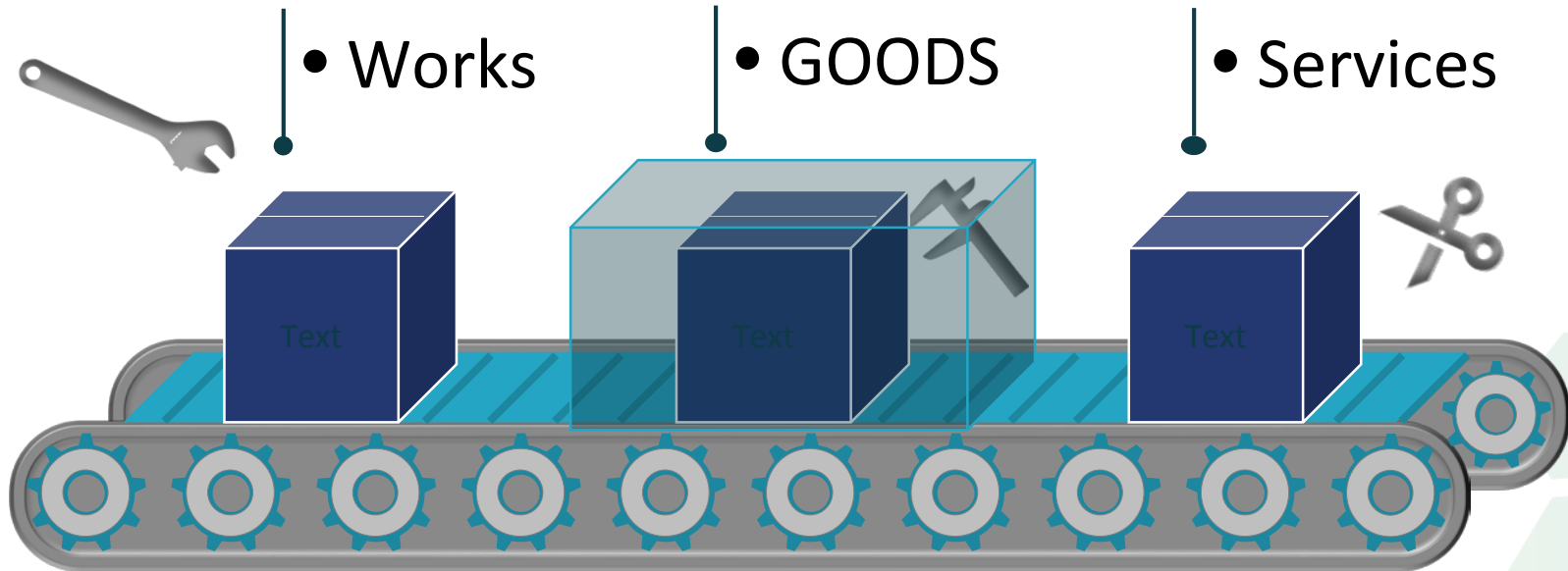
- The refusal to accept natural inaccuracy of estimates creates an illusion of precision

- Anti-planning culture

Procurement Plan

How to plan?

➤ Categorise into:



- Consider time scales
- Package appropriately
- Recognize relationships

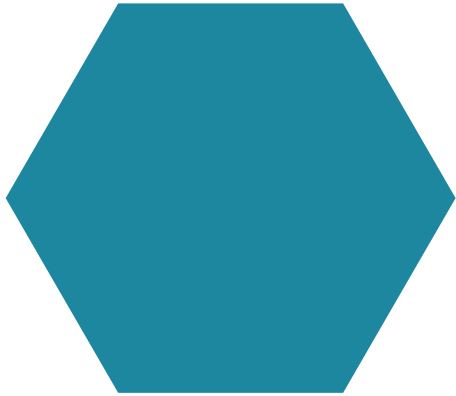
Procurement Plan

Country/Organisation: _____

Project/Programme: _____

Loan #: _____

Basic Data		Bid Documents		Bidding Period		Bid Evaluation		Contract Finalization									
Description*	Lot Number	Issue # of Invitation for Bids	Lumpsum or Bill of Quantities	Procurement Method	Estimated Amount in US \$	Pre-or Post Qualification	Prior or Post Review	Plan vs. Actual	Date Proposed	Date No-objection	Bid Invitation Date	Bid Closing-Opening	Bid Evaluation Report	No-objection	Contract Amount in UA	Date Contract Award	Date Contract Signature
								Plan									
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Total Cost					0.00			Plan							0.00		
					0.00			Actual							0.00		



Thanks!

Any questions?

