



Municipal Infrastructure Support Programme
An EU-funded project

MUNICIPAL INFRASTRUCTURE SUPPORT PROGRAMME

●●● Building together for the future

PROGRAM PODRŠKE RAZVOJU INFRASTRUKTURE LOKALNE SAMOUPRAVE

●●● Gradimo zajedno za budućnost

Procurement Routes for Works and Services (Traditional Contracting, BOOT, D&B, PPP, Turnkey,)

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Procurement



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Procurement is the acquisition of goods and/or services at the best possible total cost of ownership, in the right quantity and quality, at the right time, in the right place and from the right source for the direct benefit or use of corporations, or individuals, generally via a contract.

Simple procurement may involve nothing more than repeat purchasing. Complex procurement could involve finding long term partners – or suppliers that might fundamentally commit one organization to another.



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Procurement process

Procurement may also involve a bidding process i.e, Tendering. A company may want to purchase a given product or service. If the cost for that product/service is over the threshold that has been established (eg: Company X policy: "any product/service desired that is over \$1,000 requires a bidding process"), depending on policy or legal requirements, Company X is required to state the product/service desired and make the contract open to the bidding process. Company X may have ten submitters that state the cost of the product/service they are willing to provide.



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→ Procurement process

Then, Company X will usually select the lowest bidder. If the lowest bidder is deemed incompetent to provide the desired product/service, Company X will then select the submitter who has the next best price, and is competent to provide the product/service. In the European Union there are strict rules on procurement processes that must be followed by public bodies, with contract value thresholds dictating what processes should be observed (relating to advertising the contract, the actual process etc).



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Procurement steps

Procurement life cycle in modern businesses usually consists of **seven** steps:



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→ Procurement steps

☐ **Information Gathering:** If the potential customer does not already have an established relationship with sales/ marketing functions of suppliers of needed products and services (P/S), it is necessary to search for suppliers who can satisfy the requirements.

☐ **Supplier Contact:** When one or more suitable suppliers have been identified, Request for Quotation (RFQ), Request for Proposals (RFP), Request for Information (RFI) or Request for Tender (RFT) may be advertised, or direct contact may be made with the suppliers.

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→ Procurement steps

☐ **Background Review:** References for product/service quality are consulted, and any requirements for follow-up services including installation, maintenance, and warranty are investigated. Samples of the P/S being considered may be examined, or trials undertaken.

☐ **Negotiation:** Negotiations are undertaken, and price, availability, and customization possibilities are established. Delivery schedules are negotiated, and a contract to acquire the P/S is completed.

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→ Procurement steps

- ☐ **Fulfillment:** Supplier preparation, shipment, delivery, and payment for the P/S are completed, based on contract terms. Installation and training may also be included.
- ☐ **Consumption, Maintenance and Disposal:** During this phase the company evaluates the performance of the P/S and any accompanying service support, as they are consumed.
- ☐ **Renewal:** When the P/S has been consumed and/or disposed of, the contract expires, or the product or service is to be re-ordered, company experience with the P/S is reviewed. If the P/S is to be re-ordered, the company determines whether to consider other suppliers or to continue with the same supplier.



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Traditional Contracting



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Common contracting method in which the client (customer or project owner) selects professional service providers (such as Architects and engineers) for the design work and then invites Bids for construction work.



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BOOT

Build, Own, Operate, Transfer



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Financing arrangement in which a developer:

(1) designs and builds a complete project or facility (such as an airport, power plant, seaport) at little or no cost to the government or a joint venture partner,

(2) owns and operates the facility as a business for a specified period (usually 10 to 30 years) after which

(3) transfers it to the government or partner at a previously agreed-upon or market - price.



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D&B contract

design-build (D-B) contract



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Construction contract where both the design and the construction of a structure are the responsibilities of the same contractor.



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PPP

Public Private Partnership



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PPP is basically just a different method of procuring public services and infrastructure by combining the best of the public and private sectors with an emphasis on value for money and delivering quality public services.



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Conventional Public Procurement

Covers the range of procurement methods traditionally used by public procuring agencies in providing public infrastructure projects and services (e.g. contracting the private sector to construct infrastructure to a predetermined public sector commissioned design). It also includes Design & Build contracts.



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Design, Build and Operate (DBO)

DBO contracts are contractual relationships between public sector bodies and private sector contractors for the design, construction and operation of public facilities or infrastructure. The private sector contractor designs and builds and operates the facility to meet public sector performance requirements (output specifications) over the lifetime of the project. The contractor is also responsible for maintaining the facility and replacing the assets whose life has expired during the term of the contract, at the end of which time responsibility for maintaining the asset is transferred back to the Public Sector. The construction of the facility is financed by the public sector and it remains in public ownership throughout the term of the contract.



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Design, Build, Operate and Finance (DBOF)

DBOF contracts are contractual relationships between the public sector and private sector contractors for the design, construction, operation and financing of public facilities or infrastructure. The private sector contractor is responsible for designing, building, operating and financing the facility and recovers its costs solely out of payments from the public sector. These payments are dependant on the private sector contractor's ability to meet the pre-approved output specifications as part of the performance mechanism.



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Concession

Concession contracts are similar to DBOF arrangements, except that the private sector contractor recovers its costs either through direct user charges or through a mixture of user charging and public subventions.



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Value for Money (VFM)

Value for money for the Exchequer in PPP projects is achieved through the interaction of the public and private sector leading to greater efficiency, effectiveness and economy.



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Turnkey



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A type of construction contract under which the construction firm is obligated to complete a project according to prespecified criteria for a price that is fixed at the time the contract is signed.



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Thank you for your attention!