

# Public procurement in construction market

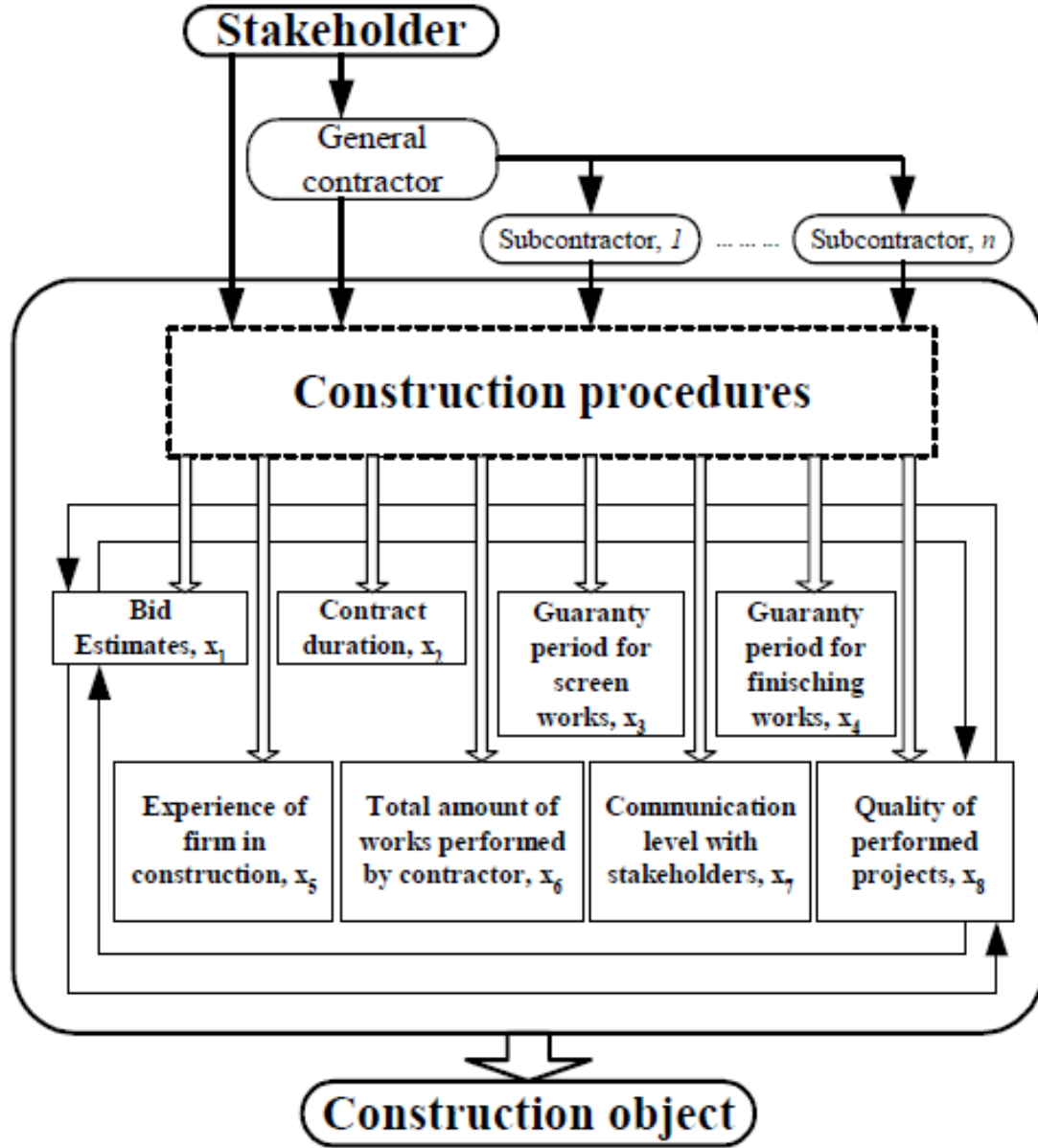
2012-04-12 Vilnius

# What is procurement?

*Procurement is the overall process of selecting a contractor for a project.*

Typically has several stages:

- identifying the client's objectives;
- developing options;
- studying the feasibility of the different options;
- determining the need for construction;
- specifying the various requirements to fulfil the need;
- identifying potential contractors;
- soliciting bids and proposals;
- evaluating these bids and proposals
- awarding the contract.



## The model of the selection of contractors in construction

# Why spend attention to the procurement process?

- Depends the success of a project;
- To determine the allocation of tasks, responsibilities and risks;
- To define the risks involved in delays;
- Determine whether to “pull the plug”;
- To decide how and when to adjust course;
- Guarantees the best value for the client’s money.



# How to improve energy efficiency in procurement procedures

- Pre-planning and the planning phases;
- Drafting of technical specifications and of the conditions of the contracts implementation;
- Elaboration of selection criteria;
- Selection of offers.



# Planning phase

- Considering global (investments AND operation) or life-cycle costs;
- Motivation and know-how of the team;
- Pre-feasibility studies;



# Technical specifications

- Energy requirements have to be clearly expressed;
- Performance levels.

## Standards and labels

- References;
- European standards;
- Clear and detailed;
- Integrate criteria.



# Selection of offers

Possible selection criteria: *price, operation costs, cost-efficiency, delivery date, technical value* etc.

<b>Criteria</b>	<b>Variant 1</b>	<b>Variant 2</b>
Price	75%	50%
Energy performance or environmental considerations	25%	25%
Operation costs		10%
Delivery guarantee		10%
Others (to be stated)		5%
<i>Total</i>	<i>100%</i>	<i>100%</i>



# What is pre-qualification?

- It's a **first selection** amongst potential contractors before bids and proposals are solicited.
- Contractors can provide **evidence of their qualifications**
- Pre-qualification **raises the quality** of the competition by defining the range of each contractor's attributes
- The process of assessing whether a contractor is potentially able to **execute the project** in terms of quality, time and costs;
- Makes sure that **only qualified contractors proceed** to the next stage;
- Encourages the client to **focus on priorities and needs**;

# What considerations are important for the procurement strategy?

Considerations may include:

- time;
- cost;
- quality;
- complexity;
- flexibility;
- risk.

# How are the tenders to be assessed?

---



The following skills and resources have to be:

- the technical knowledge and skills to add value to the project by offering innovative and effective solutions;
- time management;
- cost management;
- Quality management;
- risk management;
- value management;
- safety and health management;
- environmental impact management;
- supply chain management;
- Appropriate human resources;
- financial resources;
- Effective internal organisation.

# The “two-envelope system”

- Suitable when **price is not the most important** consideration
- promotes the unbiased selection of **the best technical proposals** prior to contract negotiations.
- The client first decides how much **weight** to give to the **technical attributes**; the rest of the choice is based **on price**,
- **The first envelope** contains the technical qualifications, methodology and schedule. **The second envelope** contains the proposed fee.
- The first envelopes for all proposals are opened and scored. Only then are the Second envelopes of the top-rated contractors opened and the price from the second envelope is added to the scores of the first envelopes. **The best scoring bidder** is then awarded the contract.

# A good procurement process

- provides management, leadership and policy direction;
- supports the management of financial activities;
- Manages the tendering process;
- fair and reasonable prices and in a timely fashion, using the best methods and tools with adherence to high standards of professional integrity.
- clients should anticipate their evolving needs,



# Innovative solutions in public procurement



VILNIAUS GEDIMINO  
TECHNIKOS UNIVERSITETAS

- Act as an 'intelligent' customer;
- Consult the market before tendering;
- Involve key stakeholders throughout the process;
- Let the market propose creative solutions;
- Seek value for money, not just the lowest price;
- Take advantage of electronic means Decide how to manage risks;
- Use contractual arrangements to encourage innovation;
- Develop an implementation plan
- Learn for the future



VILNIAUS GEDIMINO  
TECHNIKOS UNIVERSITETAS

*Thank You for Your attention!*

Co<sub>2</sub>Bricks