



Procurement Classroom Lesson 3

PROCUREMENT PLANNING BASICS

J O R G E A . L Y N C H T .

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Also by Jorge A. Lynch T.

Frequently Asked Questions on Public Procurement:

*A Reference Guide to Procurement
and Contract Administration Basics*

Public Procurement and Contract Administration:

A Brief Introduction

Public Procurement:

Principles, Categories and Methods

What is Public Procurement?

Essential Principles of Public Procurement

Procurement Planning Basics

Public Procurement Methods:

Identification and Selection

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About The Procurement Classroom Lessons

The Procurement Classroom was founded in 2013 to provide aspiring and novice procurement practitioners with a platform where they can interact and learn about the theory and practice of public and project procurement in a manner is straightforward and easy to understand. Most importantly, with these fundamentals, they will be able to develop a solid foundation leading to a successful career.

This Procurement Classroom Lesson 3 was developed primarily from the author's experience working on donor-funded projects in various countries since the year 2000. It relies heavily on donor and country-specific procurement guidelines that were developed based on the [UNCITRAL Model Law on Public Procurement](#), but does not follow any of them to the letter; relying mostly on the author's practical experience and understanding.

Other Lessons are in the making and will also be concise; containing sufficient information to give you a better understanding of a specific topic of the management and practice of public and project procurement, and contract administration.

We appreciate receiving feedback from readers. Please send your suggestions for new topics and improvements to: suggestions@ProcurementClassRoom.com.

Contents

Why Plan Procurements?	1
Need Assessment And Requirement Determination	2
Preliminary Procurement Planning	3
Deciding On The Procurement Method	5
What To Include In A Public Procurement Plan	7
6 Reasons Why The Procurement Plan Is Important	9
7 Reasons Why Procurement Planning Is Important	10
Procurement Planning And Scheduling	12
Procurement Scheduling	16
About The Author	18

WHY PLAN PROCUREMENTS?

It is common knowledge that a plan is just a guess because we don't have control over the future. So why do we plan? To set goals and expectations of how something will work out in the future. And although things hardly ever work out exactly as planned, when they do we are satisfied and when they don't we are not..

Procurement planning is no different. We plan procurements for the coming period knowing that it is only a 'best case scenario.' We try to plan for uncertainties, but when it doesn't work out it gives us an indication of what went wrong, and we can use this to improve our future planning exercise. During execution, the closer we get to performing according to the original plan, the better.

NEED ASSESSMENT AND REQUIREMENT DETERMINATION

The public procurement cycle begins with the identification of need, and through the assessment of that need, a determination is made if a true requirement exists. The need to cross a body of water could create a requirement to build a bridge or use a ferry or a boat.

The actual planning for the fulfillment of a requirement is usually done during the annual budgeting phase. The responsible entities identify their needs and make an input to the annual budget.

Under project management, at the project inception phase, the beneficiary country prepares a proposal for presentation to donor entities for consideration. Requirements are identified, and budget plans are developed at this stage.

Prior to the submission of a requirement to the procuring entity, budget allocation needs to be secured to ensure the availability of funds for fulfilling the requirement. This must be formally communicated to the procuring entity before any action can be taken to procure goods and services.

PRELIMINARY PROCUREMENT PLANNING

During requirement determination, it is important to prepare a preliminary procurement plan and a tentative procurement strategy in order to avoid any false expectations about the procurement lead-time, which determines when the fulfillment of the requirement can reasonably be expected as a result of the applicable procurement method.

The actual planning for the fulfillment of a requirement is usually done during the annual budgeting phase. The responsible entities identify their needs and make an input to the annual budget.

Although, once the requirement has been approved and budget allocated, the final procurement plan will be prepared and should be followed and amended as needed. Preliminary procurement planning is useful at this early stage for all stakeholders (especially the requesting entity) to avoid having unrealistic expectations about when the contract will be awarded and the goods or services received.

So, when determining and assessing the feasibility of the requirements, preliminary procurement planning serves to give some assurances as to what can be expected in terms of the timeframe for requesting and receiving offers, evaluation of bids, contract negotiations, award and implementation.

10 TIPS ON PROCUREMENT PLANNING

1. Begin with the desired outcome in mind.
2. From the initial identification of requirements, engage the assistance of a knowledgeable procurement practitioner.
3. Assemble a multi-departmental team of individuals that can contribute their expertise to the description of the procurement requirement.
4. Ensure budget allocation for each procurement requirement.
5. Determine need for technical assistance to develop technical specifications, terms of reference or to assist with bid/proposal evaluation.
6. Identify dependent procurement requirements and the sequence in which they will need to be acquired.
7. Determine market availability.
8. Look for opportunities to consolidate similar requirements in order to save time and money.
9. Be realistic about expected contract award dates, by early identification of the most appropriate procurement method.
10. Identify need for expediting and seek approval for emergency and single source procurements

DECIDING ON THE PROCUREMENT METHOD

During the requirement identification stage, the entity with the need determines when they want the goods delivered, services rendered or construction work completed. It is important at this stage to consult with the procuring entity in order to determine the most appropriate procurement method applicable to their specific need.

The procurement method must be determined at this early stage because of the effect it has on the procurement lead-time, and also to ensure that the responsible entity is able to set realistic timeframes and expectations during the development and definition of their procurement requirement.

This exercise of engaging the assistance of the procuring entity early on helps to avoid disappointments, unrealistic expectations, and frustrations when, due to poor planning, it becomes impossible to meet the expectations of the requesting entity.

At the requirement definition stage, it is also important to decide if a competitive or non-competitive procurement method is most suitable.

The complexity of a requirement, procurement category, and monetary value are key determinants of the procurement method.

A decision to use a specific procurement method must be based primarily on the stipulations of the procurement rules.

FOUR THINGS TO CONSIDER WHEN SELECTING A PROCUREMENT METHOD

1. ***Estimated monetary value and complexity of the procurement requirement.*** This will determine if the procurement method should be competitive or non-competitive.
2. ***The extent to which the procuring entity can clearly define the requirement.*** There are instances when a requirement cannot be clearly defined and needs input from prospective bidders. This determination is also used to select the most appropriate procurement method.
3. ***The urgency of need.*** Establishes the need for direct or single source procurement for which approval is required.
4. ***Market availability.*** Are there only a few firms or individuals with the expertise needed to fulfill the requirement? This would be a strong justification for using restricted or single source procurement.

WHAT TO INCLUDE IN A PUBLIC PROCUREMENT PLAN

The Procurement Plan is the product of the procurement planning process. It can be developed for a specific requirement, a project, or for several requirements for one or many entities in the public or private sectors.

The procurement method must be determined at this early stage because of the effect it has on the procurement lead-time, and also to ensure that the responsible entity is able to set realistic timeframes and expectations during the development and definition of their procurement requirement.

A public procurement plan should be divided into the principal procurement categories: goods, services, and works, and various subcategories within those as appropriate. This plan should list all the requirements within each category that are expected to be procured over the period covered by the procurement plan (usually one year).

As a minimum, a procurement plan should include:

1. a reference number,
2. a brief description of the requirement,
3. the estimated value of the requirement,
4. the procurement method, and
5. the expected award date.

SOME PROCUREMENT PLANS ALSO INCLUDE:

1. the need for review and approval of procurement actions, by a tender board or donor entity (for donor-funded procurements),
2. the expected bid or proposal submission date,
3. the expected duration of each procurement requirement, and
4. other key milestones of the procurement process from the preparation of the specifications and scope of work, up to the commencement of the contract.

6 REASONS WHY THE PROCUREMENT PLAN IS IMPORTANT

1. It lists all requirements expected to be procured over a period.
2. From it, the procurement schedule is developed, which establishes the timelines for carrying out each step in the procurement process up to contract award and the fulfillment of the requirement.
3. It allows for the consolidation of similar requirements under one contract or the division of a requirement into several contract packages for economies of scale.
4. From the number of requirements on the procurement plan, the procuring entity can determine beforehand any need for additional staffing, including external assistance for the purpose of completing all procurement requirements listed on the plan.
5. It allows for the monitoring of the procuring process to determine how actual performance compares with planned activities, and thus to alert the pertinent departments and adjust the procurement plan accordingly.
6. It also enhances the transparency and predictability of the procurement process.

7 REASONS WHY PROCUREMENT PLANNING IS IMPORTANT

1. It helps to define what to buy, when, and from what sources.
2. It allows planners to determine if expectations are realistic; particularly, the expectations of the requesting entities, who usually expect their requirements met on short notice and over a shorter period than the application of the corresponding procurement method allows.
3. It is an opportunity for all stakeholders involved in the processes to meet in order to discuss specific procurement requirements. These stakeholders could be the requesting entity, end users, procurement department, technical experts, and even vendors to give relevant inputs on specific requirements.
4. It permits the creation of a procurement strategy for procuring each requirement that will be included in the procurement plan. Such strategy includes a market survey and determining the applicable procurement method given the requirement and circumstances.
5. Planners can estimate the time required to complete the procurement process and award the contract for each requirement. This is valuable information as it serves to confirm if the requirement can be fulfilled within the period expected, or required, by the requesting entity.

6. The need for technical expertise to develop technical specifications and/or scope of work for certain requirements can be assessed, especially when in-house technical capacity is not available or is non-existent.
7. Planners can assess the feasibility of combining or dividing procurement requirements into different contract packages.

PROCUREMENT PLANNING AND SCHEDULING

Procurement planning comes before procurement scheduling. The information gathered during the planning phase is also used when scheduling procurements. Sometimes the procurement plan and the procurement schedule are merged into one document; however, they are usually separate documents.

As mentioned above, the procurement plan includes a description of the procurement requirement, the procurement category (goods, services or works), an estimated cost for each requirement, the procurement method, the name or identity code of the requesting entity, and the expected contract award date.

The procurement schedule, on the other hand, is a more detailed version of the procurement plan. The procurement schedule takes all the data from the plan and includes a timeline for the completion of each step (milestone) of the procurement process, from the preparation of the technical specifications and scope of work, up to contract award.

The procuring entity should receive advanced notice of the requirements for each budget cycle in order to include them in a preliminary procurement plan that initiates the procurement planning process.

Procurement planning should be considered even during the

requirement determination stage for requesting entities to have a more realistic idea of the procurement lead-time of each of their requirements.

It is crucial to get the procuring entity involved from the earliest possible stage in identifying procurement requirements, because the procuring entity has knowledge of the methods of procurement applicable to each requirement and can alert the requesting entities, at this early stage, if their expectations are too ambitious given the expected procurement lead time for each procurement method. This knowledge and ability to inform the requesting entity at an early stage helps with the preparation of a more realistic procurement schedule.

During the preliminary procurement planning stage, the procuring entity should compile a list of all the prospective requirements in order to know the number of requirements planned for the period. This information is useful to the procuring entity in two ways: (1) It helps with determining expected workload over the period and any need for additional staff, and (2) allows the procuring entity to determine how realistic the expected fulfillment dates are, given the procurement lead-time of each procurement method used.

Once the list of requirements is compiled, the procuring entity must consider the following 7 questions:

1. Are there any opportunities for packaging or consolidating similar requirements for economies of scale?
2. When is the expected contract award date of each requirement?
3. What are the different procurement methods that will be used?
4. What is the expected procurement lead-time of each procurement method?

5. Are there any dependent requirements?
6. What are the sources of supply for goods to be procured?
7. Is there a need for hiring technical assistance to prepare technical specifications, scope of work or for inspection and testing?

The answers to the above questions will give the procuring entity an idea of what to expect over the period and will allow them to inform the requesting entities accordingly.

It is only after the requirements have been approved and a budget allocated to each, that the procuring entity is able to finalize the procurement plan. In order to do this, the procuring entity needs the following:

1. A list of all the approved requirements expected to be procured over the period (usually one year).
2. The expected contract award dates
3. The budget allocated for each requirement.
4. The requesting entity's name or identity code.
5. The procurement category (goods, services or works).

By having the above, the procuring entity will be able to determine:

1. What is needed, when and the relationship/dependency between requirements.
2. If the expected contract award date is realistic given the procurement method and corresponding procurement lead-time.
3. Possibilities for consolidation of similar requirements for ease of management and economies of scale.
4. What requirements need to be expedited given the urgency of need and procurement lead-time.

Before completing the procurement plan, it is important to determine what entity will be responsible for the preparation of the technical specifications, terms of reference, and scope of work. This is important and needs to be closely coordinated to ensure there is capacity within existing entities for preparing these documents. It is also important to consider the length of time needed to prepare these documents as any delay in preparing technical specifications, terms of reference, or scope of work will delay contract award.

One of the biggest constraints to awarding contracts in a timely manner, is delay in completing each step of the process as detailed in the procurement schedule.

So, whenever an entity other than procurement is responsible for preparing the technical specifications, terms of reference, and scope of work, close coordination is crucial to ensure that it is taken into consideration during procurement planning and scheduling. Such effort guarantees the preparation of a more realistic procurement schedule, which affects the acquisition of vital goods and services needed not only for government operations but, most importantly, for social, educational, health, and other public services.

PROCUREMENT SCHEDULING

Procurement schedule can be prepared in different formats. The important thing to keep in mind is the content. The procurement schedule should cover all the different steps in the process, clearly identifying the expected date to initiate and complete each step or milestone.

The procurement schedule should begin with the preparation of the specifications (for goods and works) and terms of reference (for services). This is really the beginning of the process and should be calculated in such a manner that the completion of this stage can be determined. The best way to do this is to know when contract award is expected based on the need and plan backward to know when the approved specification or terms of reference should be ready.

The preparation of specifications and terms of reference is crucial and sometimes presents a bottleneck because only someone with experience can ideally estimate the time it will take to prepare the specifications or terms of reference of a specific requirement due to its complexity and uniqueness. This is important because if this period is not calculated correctly, the entire schedule is thrown off. So, we want to carefully calculate this period to allow sufficient time to complete the specifications or terms of reference to begin the procurement process on schedule.

Another period that is usually outside the control of the

procurement entity is the bid/proposal evaluation period, given that evaluation panel members can come from entities that are not under the control of the procurement entity. So, the use of their time is dependent on how committed they are to expeditiously complete the evaluation process. Thus, the evaluation period must be carefully calculated to ensure that the evaluation can actually take place within the estimated timeframe. The number of bids/proposals received also has an impact on the duration of the evaluation process.

Contract negotiations is a potential bottleneck, so enough time needs to be considered for it when it is required.

We know that very seldom are plans carried out strictly according to what was foreseen. And procurement schedules are no exception. This is primarily because when planning we are guessing how much time things will take based on knowledge and experience and, given uncertainties and things outside our control, any missed milestones can result in delays in completing the procurement process.

It is therefore important to keep delays to a minimum in the execution of the procurement schedule, because such delays will have an impact on contract award and completion and will affect service delivery.

About the Author



This Lesson was written by Jorge A. Lynch T., an International Procurement and Supply Management Consultant with almost three decades of experience. He manages, advises, trains and mentors on Public and Project Procurement and has completed assignments in Africa, Asia, the Pacific and Latin America. He received a Master of Science degree in Logistics and Supply Chain Management from Cranfield University in the UK and is a Fellow (FCIPS) of the Chartered Institute of Procurement and Supply (CIPS).

His main interest is to teach public and project procurement management to novice practitioners in order to assist them to develop a solid foundation on which to build a successful career as knowledgeable procurement professionals.

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