

# **EXPLO National Manual of Assets and Facilities Management Volume 8, Chapter 4**

## **Procurement Methods**

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## Procurement Methods

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### 1.0 PURPOSE

This document describes the standards by which the procurement function shall be operated and managed. This procedure is based on both local and international best practice. The aim of this document is to encourage Entities to follow best practices during their procurement process and also to ensure that the entire supply chain operates ethically when goods, works, and/or services are purchased. Following these processes will help Entities to achieve their predefined business goals.

### 2.0 SCOPE

This document is developed specifically for the Operations and Maintenance (O&M) domain within government Entities as a procurement procedure, and provides Entities with a procurement concept, processes, tools and methodologies.

Although references are made to commonly used procurement best practices, each Entity shall establish their own individual requirements concerning procurement, according to its predefined mission, vision, and strategic plan, when applicable.

This document does not explain or develop any specific procurement methods, processes, or models for a particular Entity. Rather, it was developed to demonstrate the key aspects of how to use common standards and best practices during purchasing activities within O&M to achieve transparency, operational objectives, and business goals. Common best practices were incorporated in this procedure from several well-known reliable standards and procedures such as:

- Procurement Manual, 2019, United Nations Office for Project Services (UNOPS)
- Procurement Global Standard, Chartered Institute of Procurement & Supply (CIPS)
- Standard Procurement Document, 2016, The World Bank

Entities should fulfil the standards, principles, and guidelines defined in the National Manual of Assets and Facilities Management during their procurement process.

#### 2.1 Ethical Statement

Procurement activities are based on the following values: equality, integrity, honesty, reliability, transparency, and accountability, which taken together form an ethical approach to doing business.

Every Entity and its contractors and suppliers shall follow Saudi Government Tenders and Procurement Law

Each Entity shall develop their own process on how to manage any ethical breaches. Furthermore, personnel involved in procurement activities shall respect and follow the best practice for “procurement code of conduct and ethics” and any Saudi procurement ethics instructions during their work. This will facilitate the overall progress of Entities as well as the country’s economic growth.

Standard procurement ethics follow this pattern:

- Maintain confidentiality of sensitive information
- Be professional in all dealings with contractors
- Declare any conflict of interest with a supplier or contractor
- Don’t accept or give any gifts or inducements unless specified by The Entity procedures and thresholds
- Report violations of procurement rules



### 3.0 DEFINITIONS

Term	Definition
CIPS Procurement Global standard Manual	A procurement standard developed collaboratively by over 16 countries (including KSA), and 3000+ professionals
Entity	A Saudi Government organization that is responsible for the management of government funded facilities management.
Operations and Maintenance (O&M)	All operational and maintenance activities performed within Entity assets management domain.
Procurement	Those activities required for the acquisition, transport, and storage of materials and equipment required for the execution of the project work.
Acronyms	
APQC	American Productivity and Quality Center
BIFM	British Institute of Facilities Management
CIPS	Chartered Institute of Procurement & Supply
DAU	US-Defense Acquisition University
GTPL	Government Tendering and Procurement Law
KSA	Kingdom of Saudi Arabia
O&M	Operations and Maintenance
RFI	Request for Information
RFP	Request for Proposal
RFQ	Request for Quotation
RFx	RFI, RFP and RFQ
UNOPS	United Nations Office for Project Services

**Table 1: Definitions**

### 4.0 REFERENCES

- Saudi Government Tenders and Procurement Law.
- British Institute of Facilities Management (BIFM) – Sourcing strategies
- Project of Survey and Study of the current Operation and Maintenance work statues at government Facilities – (NCLM) Executive Report (31st January 2016)

**The Industry Best Practice considerations referenced in this document are as follows:**

- American Productivity and Quality Center (APQC) <https://www.apqc.org/>
- Procurement Manual Revision 6.1 1 April, 2019 - [https://content.unops.org/service-Line-Documents/Procurement/UNOPS-Procurement-Manual-2019\\_EN.pdf](https://content.unops.org/service-Line-Documents/Procurement/UNOPS-Procurement-Manual-2019_EN.pdf), Last Checked (04/01/2020)
- Uniform Guidance Procurement Standards - <https://www.brown.edu/about/administration/purchasing/uniform-guidance-procurement-standards>, Last Checked (04/01/2020)
- The Global Standard for Procurement and Supply, [https://www.cips.org/Documents/Global\\_Standard/2018%20update/CIPS%20Global\\_Standard\\_UPDATE\\_96pp\\_A4\\_1018\\_WEB.pdf](https://www.cips.org/Documents/Global_Standard/2018%20update/CIPS%20Global_Standard_UPDATE_96pp_A4_1018_WEB.pdf), Last Checked (04/01/2020)
- Laffont, Jean-Jacques; Tirole, Jean (1993). A Theory of Incentives in Procurement and Regulation. MIT Press
- Local Content and Government Procurement Authority (LCGPA) - Ministry of Finance
- United Nations Office for Project Services, UNOPS Version 1.02, 2019
- UN procurement practitioner's Handbook (<https://www.ungm.org/Areas/Public/pph/ch04s04.html>), Last Checked (04/01/2020)
- Federal Procurement Ethics, The Complete Legal Guide, Terrence M. O'Connor, 2009



### 5.0 RESPONSIBILITIES

Role	Description
Entity	<ul style="list-style-type: none"><li>• Shall follow all policies, procedures, and method that are defined and approved by Ministry of Finance concerning their O&amp;M procurement process</li><li>• Should develop their particular procurement vision, strategies, plans, requirements, and process based on available best practice and standards.</li><li>• Use this procedure to guide them through their procurement lifecycle development.</li></ul>

**Table 2: Responsibilities**

### 6.0 PROCESS

#### 6.1 Procurement with Inventory Management

Procurement and inventory management are the two main elements that form the supply chain system in today's industry. Procurement and inventory management methods should form a part of Entities' strategies and procedures, in order to enhance the efficiency of O&M activities and reduce their risk and cost.

Procurement and inventory management, when integrated, support the availability of goods and/or services for the Entity's operations, infrastructure, and maintenance. This chapter covers procurement concept and process, other chapters (within this volume) cover inventory management and supply chain management.

#### 6.2 Procurement within Operations and Maintenance (O&M)

The O&M domain within Entities needs to be managed well for the sake of business efficiency. Procurement strategies and methodologies must be well-developed, in order to avoid wasting time and money.

Best practices and standards within Entities' O&M activities have the following benefits:

- Cost and time effective realization for purchases made through well-defined procurement and multistage inventory control activities
- Support value for money
- Cost risk analysis and benchmarking for the selection of best-in-class solutions for specific O&M problems
- Support management of long and short term contracts
- Support performance measurement of contracts
- Introduce traceability for Entity requirements, outcomes, and costs
- Improve interdepartmental communications within Entities

#### 6.3 Procurement Policy

Procurement Policies shall be developed based on predefined requirements by Entities as follows:

- Entities should adopt KSA Government policies to include the purchase of: parts, materials, works, services, and any other aspect when necessary, based on the Government O&M vision and objectives
- Entity specific policies should be developed by each Entity, based on the general policies

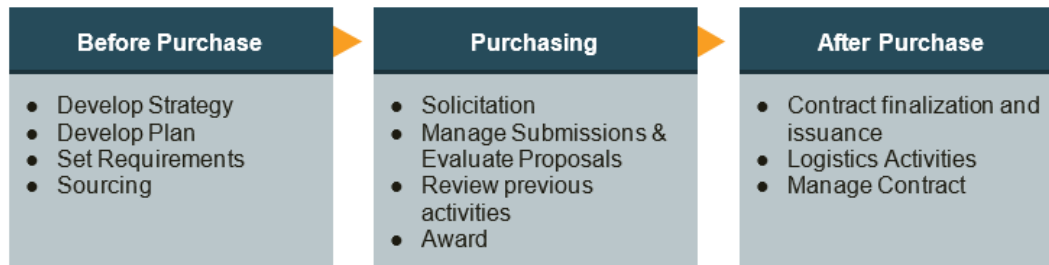
Procurement personnel and/or any other parties such as engineers, financial managers, operational managers, maintenance supervisors, and strategic planners, who interface with these policies should be trained in their use, they should understand and follow them.



### 6.4 Procurement Method

This procedural method describes a simple and understandable procurement process based on the most common current best practices, which comprise three main phases and eleven steps in total that are demonstrated in Figure 1.

These processes will help Entities to develop their procurement requirements, integrate them with other related processes, and define the criteria that are leading to resource efficiency, enhancing goods and services quality and ultimately optimize costs.



**Figure 1: Procurement Phases and Steps**

The following sub-sections will explain the concepts behind the eleven steps within the context of an O&M organization. Some examples will be provided in order to help Entities visualize and understand the application of the process. Developing Entity specific flows and specific purchasing methods is beyond the scope of this document.

### 6.5 Before Purchasing (Phase I)

The first phase of the procurement process has four steps that need to be considered prior to acquiring goods and/or services.

#### 6.5.1 Develop a Procurement Strategy

Understanding the Entity's mission, vision, and objectives is essential in developing specific procurement strategies based on the nature of the operating environment, identified risks, and capacity of the Entity budget. The Entity should develop its own procurement strategy that shall be aligned with the Entity's overall strategic plan. This strategy should cover all procurement activities from different aspects and include key elements for acquiring goods, services, and works that are critical for O&M. For more details, please refer to Vol. 9 Contract Management, Ch. 2 Contracting Strategy.

#### 6.5.2 Develop a Procurement Plan

In order to develop a successful procurement plan, the Entity needs to develop individual procurement activities by involving the required stakeholders. The procurement plan should include but is not limited to:

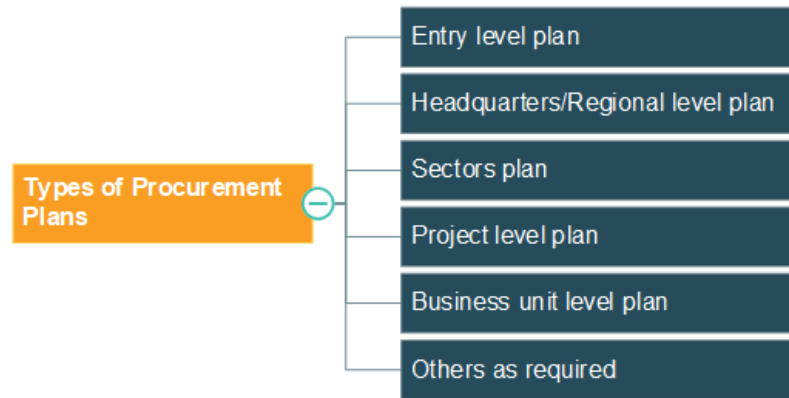
- Tasks
- Schedule
- Process as per selected solicitation method
- Type of competition
- Type of contract

Figure 2 below illustrates some types of procurement plans. An Entity should develop required plans in accordance to their needs.





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**Figure 2: Types of Procurement Plans**

Procurement planning provides the following benefits for the Entity:

- Gives the Entity's senior management a clear vision to align their procurement strategies to their overall strategies
- Increases the Entity's opportunity to define their requirements clearly and to receive better offers for goods and services
- Improves sourcing and qualification process by competition to receive more offers with better prices
- Increases traceability and monitoring for procurement activities
- Supports early risk identification
- Enhances procurement process and communication between all stakeholders

### 6.5.3 Setting Procurement Requirements

How an Entity develops procurement requirements based on standards and best practices is covered in the National Manual for Assets and Facilities Management, Volume 5, Chapter 20 – System Knowledge Requirements – EOM-ZO0-PR-000092.

The general purpose of developing procurement requirements and defining them well is to precisely identify the needs of the Entity, in order to select the most suitable procurement solution and facilitate the procurement process.

Identified requirements must be clearly incorporated within the solicitation documents and then included into the procurement contract. Performance indicators shall be built around the requirements (including Service levels) before placing the contract. For more details, please refer to (Vol-9, Ch-7) "Performance Measurement" and (Vol-15, Ch-2) "Key Performance Indicators".

Listed below are some examples of Performance Indicators for goods and services:

- Quality of goods/services in accordance with specifications
- Services delivered according to the agreed timeframe
- Services provided in full
- Adherence to warranty provisions
- Appropriate handling and timely submission of documents (i.e., invoices and shipping documents)
- Cost savings achieved

Necessary requirements' specification documents, their types, and their names are described within the National Manual for Assets and Facilities Management, Volume 5, Chapter 20 System Knowledge



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Requirements – EOM-ZO0-PR-000092. Table 3 below shows how to specify goods and/or services for procurement purposes.

Operational Competence Viewpoint	
Effective Knowledge for Procurement team (Requirements domain)	
Will know and understand:	Capabilities: Will be able to:
Different types of specification used in the procurement of goods or services such as drawings, samples, brand, technical, conformance, output or outcome, statement of work based specifications	Develop appropriate specifications for the procurement of goods and services
Sources of information that can be used to create specifications such as standards, supplier websites and directories	Research appropriate sources of information for the development of specifications for the short and longer terms
The typical sections of a specification such as scope, definitions, descriptions of requirements, testing and acceptance, change control mechanisms and remedies	Develop and complete all required documentation for the specification of through-life contracts
The impact of specifications on the organization's cash input costs	Ensure that the design and the performance of specifications will avoid unnecessary costs for both the organization and its supplier
The risks that can result from inadequate specifications particularly under or over specifying needs	Monitor the creation of specifications by colleagues and other internal stakeholders and work to ensure that the risks are mitigated
The use of standardization, value analysis and value engineering programs to regulate specifications	Identify opportunities to regulate specifications both in the short and longer terms by the implementation of standardization, value analysis or value engineering programs and provide guidance to internal stakeholders on their implementation
The use of social and environmental criteria in specifications	Research appropriate sources of information for the development of specifications that incorporate social and environmental criteria

**Table 3: Procurement team basic required knowledge within requirement domain**

### 6.5.4 Sourcing

Sourcing refers to the activities for searching, qualifying, and selecting the appropriate contractors and/or suppliers who can satisfy the Entity's procurement requirements and identifying suitable suppliers that could provide required goods, services, or works. For more details, please refer to (Vol 9- Ch-3) "Standard Prequalification".

The information and specifications outcome of the sourcing process for acquired goods, services, or works, supports the selection process of solicitation and competition methods.

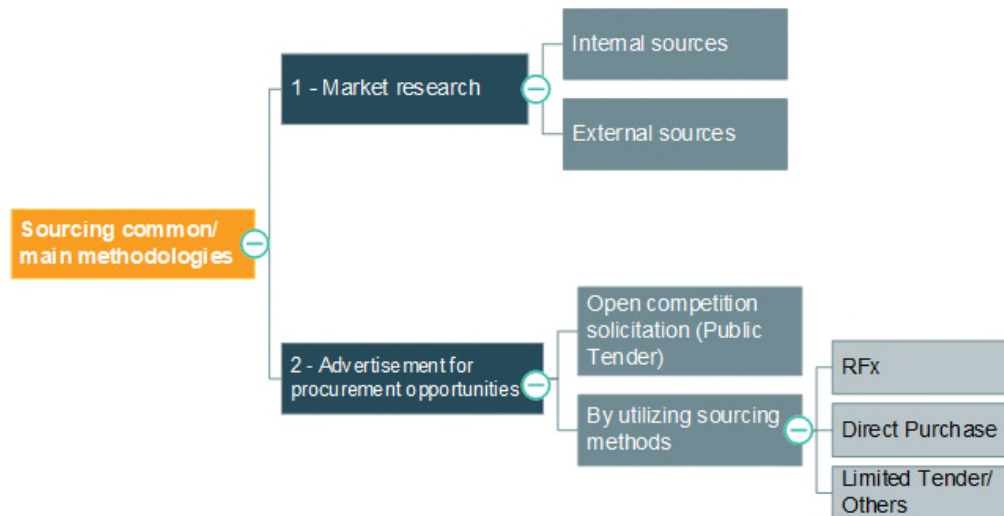
The sourcing process should identify suitable vendors that:

- Will deliver better quality outcomes and support procurement sustainability
- Can reliably manage their supply chain and mitigate any risks

Sourcing approach consists of two main common standard methods which are illustrated in Figure 3.



## Procurement Methods



**Figure 3: Common Methods for Sourcing**

### 6.5.4.1 Market Research

Market Research is essential to source the best vendors and solutions that will satisfy the Entity's needs. Research could be internal and/or external, based on the procurement strategy and plan. Benchmarking between vendors, goods, services, and/or work, solution analysis, and cost analysis should be performed during the research process to obtain the required results for Entity O&M projects and/or contracts

### 6.5.4.2 Advertise for Procurement Opportunities

All governmental tendering and procurement shall be announced, advertised and released through the digital services platform "Etimad". In case Etimad system is malfunction for more than three days, Entities may use other advertisement channels as appropriate. For more details, please refer to (Vol-9, Ch-3) "Prequalification procedure" and (Vol-5, Ch-20) "System engineering qualification process".

Evaluation of potential bidders should cover different perspectives to select who can propose to the contract such as:

- Technical viewpoint
- Eligibility criteria
- Qualification criteria
- Financial viewpoint

Figure 4, illustrated for the Entity the data that need to be gathered from different perspectives during the sourcing process, in order to be able to perform the required analysis.



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**Figure 4: Sourcing Evaluation viewpoints (Example)**

## 6.6 Purchasing (Phase II)

This phase from the procurement process lifecycle will explain the common standard four steps that need to be taken into consideration during acquiring process.

### 6.6.1 Solicitation

Solicitation can be defined as a process to inform prospective or qualified vendors, contractors, or other parties that the Entity would like to receive solution proposals on an O&M product or service. RFQ, Invitation to Bid, and RFP are examples of common standard documents that could be used for invitation of vendors to submit their initial proposals.

Selection of the right method by the Entity depends on their goals, strategic plans, requirements, and the type of contract. Solicitation methods can be:

- Open competition (Public Tender)
- Limited competition (Limited Tender)
- Direct purchase
- Others.

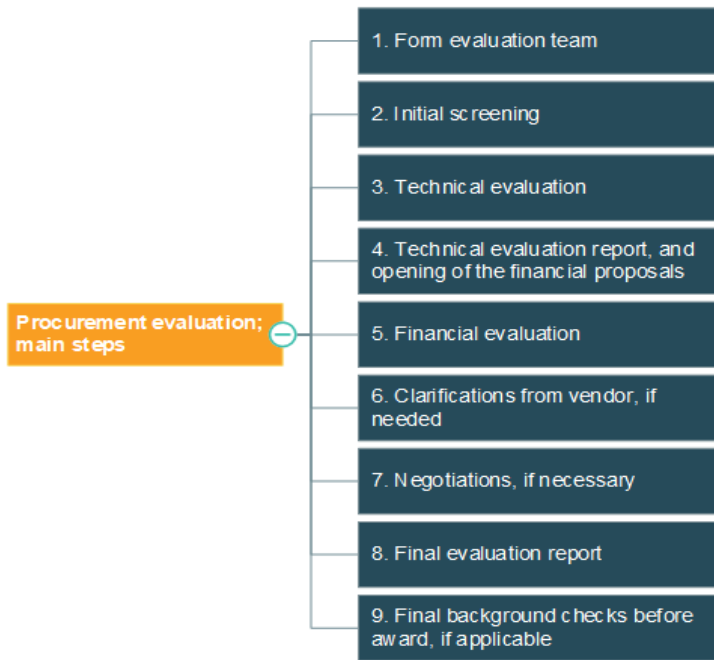
### 6.6.2 Submission Management and Evaluation

This step is concerned with managing all submitted proposals by vendors and evaluating them according to the predefined policies and strategies. This process starts from receiving, formally opening proposals, and evaluating them until they are accepted or rejected. The Entity should develop their own management process according to the Government pre-set policies, their objectives, and plans.

When vendors submit their proposals, the evaluation process starts, which includes the main common process illustrated in Figure 5.



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**Figure 5: Proposals Evaluation Steps**

Entity may select the winners based on different predefined techniques. For example:

- Fixed budget based evaluation, based on Entity's predefined budget which should not be exceeded
- Lowest price wins
- Quality evaluation, the product/service with known quality wins, based on specific quality attributes analysis
- Results of cumulative analysis for vendors, where vendor with the best result wins

Selection criteria should be developed and The Entity should use those to evaluate the proposals. The resulting matrix for each criterion could be similar to Table 4. The weighted evaluations are summed together and the highest scoring vendor will be the winner. For more details, please refer to, (Vol-9, Ch3, "Proposals Evaluation").



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O&M Vendors Evaluation Criteria	Weight Factor (%)	Proposal 1		Proposal 2		Proposal 3	
		Rating	Score	Rating	Score	Rating	Score
<b>A. Technical Requirements</b>	25						
1. Performance Characteristics	6	4	24	5	30	2	20
2. Effectiveness Factors	4	3	12	4	16	3	12
3. Maintenance Approach	3	2	16	3	9	1	13
4. Maintenance Documentation	4	3	12	4	16	2	8
5. Test and Evaluation Approach	2	2	4	1	12	2	4
6. Product Support Requirements	4	2	8	3	12	2	8
<b>B. Production Capability</b>	20						
1. Production Layout	8	5	40	4	40	2	40
2. Manufacturing Process	5	2	10	3	15	4	20
3. Quality Control Assurance	7	5	35	6	42	4	28
<b>C. Management</b>	20						
1. Planning (Plans/Schedules)	6	4	24	4	30	2	24
2. Organization Structure	4	4	16	4	12	4	16
3. Available Personnel Resources	5	3	15	3	20	3	15
4. Management Controls	5	3	15	3	20	4	20
<b>D. Total Cost</b>	25						
1. Acquisition Price	6	2	70	4	50	6	60
2. Life Cycle Cost	10	4	90	3	100	4	120
<b>E. Additional Factors</b>	10						
1. Prior Experience	4	4	16	3	12	3	12
2. Past Performance	6	5	30	5	30	3	10
3. O&M Goods Quality	2	2	20	4	20	4	3
4. O&M Service Quality	2	3	10	3	30	4	5
5. O&M Maintenance Reliability	5	5	15	4	8	5	18
<b>Grand Total</b>	<b>100</b>		<b>486</b>		<b>526*</b>		<b>460</b>
<b>* Select proposal (II) based on best total result performing required analysis</b>							

**Table 4: Example of proposals selection criteria**

### 6.6.3 Review Previous Activities

Prior to awarding, all previous procurement activities should be reviewed by the authorized team or personnel, to ensure that all policies, process, methods, and plans have been completed as defined and have met all of the procurement requirements. A review report should be developed and submitted to the authorized department for approval. Following the approval, the award process may begin.



### 6.6.4 Contract Award

Once all previous steps are completed, contingency plans for any emergency should be developed and the award process for the winning contractors should be started.

## 6.7 After Purchasing (Phase III)

The third phase from the procurement process lifecycle includes the steps that need to be taken during acquisition to ensure that the complete lifecycle of procurement is covered. This phase includes three main steps which are explained in the following sections:

### 6.7.1 PO/Contract Finalization and Issuance

Procurement shall develop a written PO/contract that describes conditions, obligations, and rights for both the Entity and the supplier. The process for contract finalization demonstrated in Figure 6 defines the process flow. For more details, please refer to (Vol-9, Ch-6 “Contracts Conformity Procedure”).



**Figure 6: Finalizing Procurement PO/Contract**

### 6.7.2 Logistics Activities

Logistics are the activities required especially for goods, from point of receiving to point of consumption. These activities need to be planned and approved by both the Entity and the supplier, in order to control the process, make it cost-effective, and mitigate any risks. Examples of the logistics activities for goods and parts are:

- Packing method
- Shipping method
- Labelling and tagging
- Transportation method
- Route for transportation
- Frequency of shipment
- Type of cargo insurance
- Shipping documents
- Receipt
- Storage method
- Parking/Storing charges/days
- Special import/export constraints

Logistics operation management shall be discussed in details within the National Manual for Assets and Facilities Management, Volume 8, Chapter 7: Logistics Management.

### 6.7.3 Managing the Contract

Procurement management objectives should be developed to monitor the contract. Suppliers also need to provide the Entity with necessary information for managing the contract. Entities should use methods and procedures that suit each contract, in order to monitor and follow up its progress and associated deliverables. For more details, for procurement management please refer to, (Vol-9, Ch-8 “Contracts Administration”).



## Procurement Methods

Entities are advised to consider developing Contract Activities flow diagrams this will enable visualization of their contract management procedures. Management activities which should be included within the procedures include but are not limited to:

- Monitoring cost
- Monitoring schedule
- Contract amendments
- Payments
- Contract closure
- Updating contract information

Managing contracts is the responsibility of the authorized team and/or department or the project manager, who would work side by side with procurement officials. Table 5, illustrates some examples of the knowledge required to manage the contract.

Operational Competence Viewpoint	
Effective Knowledge in Contract Management during Procurement and Supply in O&M Domain	
Will know and understand:	Capabilities: Will be able to:
The main types of risks in the performance of contracts such as internal, market, economic, legal, ethical sourcing and performance based risks	Evaluate the potential risks that purchased goods and services may be subjected to and liaise with suppliers and stakeholders to create and implement plans to mitigate the adverse effects of these risks
Responsibilities for contract management	Allocate clear responsibilities with stakeholders for the roles of contract management for purchased goods and services
Demand management for contracts	Forecast and plan requirements with internal stakeholders and suppliers to ensure the supply of goods and services matches demand taking into account actual demand
The use of contractual terms, specifications, KPIs, reporting, governance, escalation, and benchmarking in contract management	Monitor the supply of goods and services to ensure required performance standards and KPIs are achieved and identifies where changes in the contract or other changes are required taking actions to implement them
Payment responsibilities in contract management	Certify costs and monitor compliance to, and take remedial actions, for any deviations from contracted payment terms for purchased goods and services, managing any contracted risk and reward mechanisms
Creating targets for assessing the performance of suppliers based on the SMART (specific, measurable, achievable, relevant and timely) targets for performance	Formulate SMART targets for supplier performance and agree their application with suppliers and other stakeholders
Supplier relationship management and the use of improvement plans	Ensure supplier relationship management processes and improvement plans are proactively executed to correct defective performance for the delivery of purchased goods or services
Transition and exit arrangements for contracts	Ensure security of supply in any transition period or exit of contracts with suppliers
Close out of contracts and learning from experience	Conduct activities to close out contracts and evaluate learning from experience
The use of budgets in contract management	Ensure budget are monitored instigating actions for deviations from planned budgeted costs

**Table 5: Specifying Managing Contract Competencies**





### 7.0 ATTACHMENTS

1. Example of a Suppliers Journey from Registration to Strategic Partnership



## Procurement Methods

### Attachment 1 - Example of a Suppliers Journey from Registration to Strategic Partnership

