



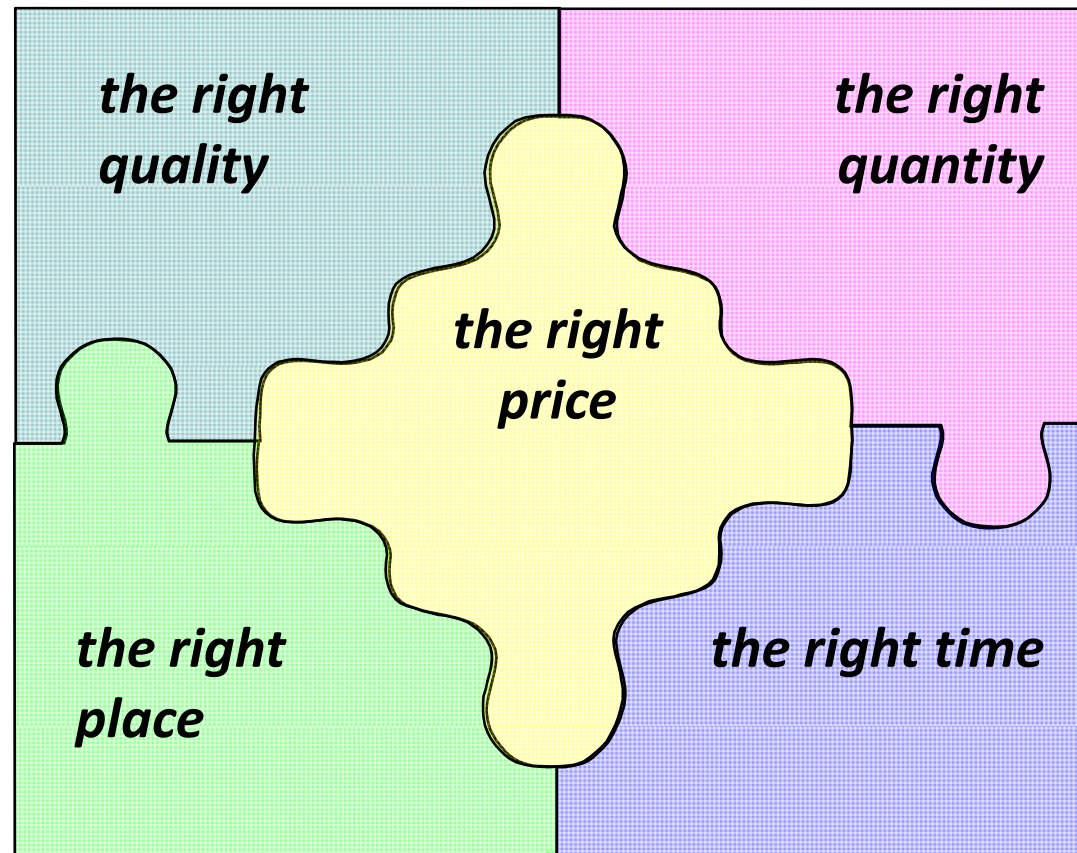
# Procurement process?

Rules and handling of procurement of  
equipment

Morten Sondergaard



Procurement can be characterized as a puzzle requiring ..





## Aim of procurement

### **To get:**

1. The Right quality and
2. Right quantity of supplies
3. At the Right time
4. At the Right place
5. For the Right cost



## PROCUREMENT OF EQUIPMENT

Points to be noted before purchase of equipment:

- Precise description of technology
- Availability of maintenance & repair facility, with minimum down time
- Post warranty repair at reasonable cost
- Upgradeability
- Availability of consumables
- Low operating costs
- Installation
- Proper installation as per guidelines – eventual training



## Typical consideration for purchase of energy equipment

- Type of equipment
- Date of purchase
- Date of installation
- Place of installation
- Date of commissioning
- Environmental control
- Spare parts inventory
- Techn. Manual / circuit diagrams / literatures

- After sales arrangement
- Guarantee period
- Life of equipment
- Down time / up time
- Cost of maintenance
- Unserviceable date
- Date of replacement



## Points to remember procurement

- Proper specification
- Comparison of offers based on basic price, freight & insurance, taxes and levies
- Quantity & payment discounts
- Payment terms
- Delivery period, guarantee
- Vendor reputation:  
(reliability, technical capabilities, Convenience, Availability, after-sales service, sales assistance)



## Procurement by grant Beneficiaries in the context of European Community external actions

### GENERAL PRINCIPLES

If the implementation of an Action requires procurement by the Beneficiary, the contract must be awarded to the most economically advantageous tender (i.e., the tender offering the best price quality ratio), in accordance with the principles of transparency and fair competition for potential contractors and taking care to avoid any conflicts of interest



# PRAG rules

## Pragmatic Guide to contract procedures for EC external actions



Article 2	Law applicable
Article 7	Supply of documents
Article 8	Assistance with local regulations
Article 9	The Contractor's obligations
Article 10	Origin
Article 11	Performance guarantee
Article 12	Insurance
Article 14	Contractor's drawings
Article 15	Tender prices
Article 17	Patents and licences
Article 18	Commencement order
Article 19	Period of Implementation of the tasks
Article 22	Variations
Article 24	Quality of supplies
Article 25	Inspection and testing
Article 26	Methods of payment
Article 28	Delayed payments
Article 29	Delivery
Article 31	Provisional acceptance
Article 32	Warranty
Article 33	After-sales service
Article 40	Settlement of disputes





## Important link

- [http://ec.europa.eu/europeaid/work/procedures/implementation/supplies/index\\_en.htm](http://ec.europa.eu/europeaid/work/procedures/implementation/supplies/index_en.htm)
- - Procurement of :
  - Services
  - Supplies
  - Works



- Homepage
- Who we are
- What we do
- Where we work
- How we work
- Work with us**
  - Funding
  - Annual Programmes
  - Online services
  - Procedures & documents**
    - Important Messages
    - Frequently asked questions
    - Legislation
    - Financing
    - Contracting**
    - Legal Affairs
    - Framework contracts
  - Communication manual
- Multimedia library

### Supplies

New Practical Guide and its annexes applicable as of November 1st, 2010

The different language versions will be uploaded as soon as these are available

For 2008 annexes, please consult the [previous version](#)

[Practical guide to contract procedures for EU external actions](#) [680 KB] fr

[Summary of changes to the PRAG 2010](#) [241 KB]

*Track change version of the annexes which have been modified in PRAG 2010* [199 KB]

*Track change version of the annexes of the Simplified Tender Dossier which have been modified in PRAG 2010* [96 KB]

#### BUDGET and EDF - Supplies Annexes

*It is reminded that in view of the actual application of the Practical Guide and its annexes only the linguistic version(s) indicated by the Contracting authority in the call for tenders {contract notice} or call for proposals, must be used during the entire procedure for submission and award of the contract.*

C1 Individual contract forecast [798 KB] fr

#### Contracting

- Practical Guide
- Eligibility
- Per Diems
- General annexes
- Services annexes
- Supplies annexes
- Works annexes
- Grants annexes

#### Previous versions

- 2008 (BUDGET&EDF)
- 2007 (BUDGET/EDF)
- 08/2006 (BUDGET/EDF)
- 02/2006 (BUDGET/EDF)
- 9th EDF
- 2003 (BUDGET)
- 2001 (BUDGET)
- 7th and 8th EDF



# ACP - EU Energy Facility Monitoring

- C1 [Individual contract forecast](#) [798 KB]
- C2 [Procurement notice](#) [89 KB]
- C3 [Summary Procurement Notice - Local Advertisement](#) [29 KB]
- C4 **Standard tender dossier (including standard contract)**
- C4 [Letter of invitation to tender](#) [65 KB]
- C4 [Instructions to tenderers](#) [158 KB]
- C4 [Draft contract](#) [91 KB]
- C4 [Draft contract: Special Conditions](#) [103 KB]
- C4 [Draft contract: General Conditions \(Annex I\)](#) [194 KB]
- C4 [Technical Specifications \(Annex II\) and Offer \(Annex III\)](#) [66 KB]
- C4 [Financial Offer \(Annex IV\)](#) [67 KB]
- C4 [Performance Guarantee \(Annex V\)](#) [63 KB]
- C4 [Pre-financing Guarantee \(Annex V\)](#) [61 KB]
- C4 [Administrative compliance grid](#) [71 KB]
- C4 [Evaluation grid](#) [71 KB]
- C4 [Tender submission form](#) [146 KB]
- C4 [Tax and customs arrangements](#) [26 KB]
- C4 [Tender guarantee](#) [55 KB]
  - [Bank account notification form](#) [331 KB]
  - [Legal Entity File \(private companies\)](#) [321 KB]
  - [Legal Entity File \(public bodies\)](#) [322 KB]
- C4 [Simplified dossier \(for the competitive negotiated procedure and below\)](#) [156 KB]
- C5 [Tender opening checklist](#) [70 KB]
- C6 [Tender opening report](#) [100 KB]
- C7 [Evaluation report](#) [119 KB]
- C8 [Letter to unsuccessful tenderers](#) [78 KB]
- C9 [Contract award notice](#) [810 KB]
- C10 [Contractor assessment form](#) [64 KB]
- C11 [Provisional and Final Acceptance](#) [54 KB]
- C12 [Addendum to contract](#) [62 KB]
- C13 [Budget modification](#) [62 KB]



# ACP - EU Energy Facility Monitoring



<b>SERVICES</b>	$\geq \text{€ } 200,000$ International restricted tender procedure	1. $< \text{€ } 200,000$ but $> \text{€ } 10,000$ Framework contracts 2. Competitive negotiated procedure		
<b>SUPPLIES</b>	$\geq \text{€ } 150,000$ International open tender procedure	$< \text{€ } 150,000$ but $\geq \text{€ } 60,000$ Local open tender procedure	$< \text{€ } 60,000$ but $> \text{€ } 10,000$ Competitive negotiated procedure	$\leq \text{€ } 10,000$ Single tender
<b>WORKS</b>	1. $\geq \text{€ } 5,000,000$ International open tender procedure 2. International restricted tender procedure	$< \text{€ } 5,000,000$ but $\geq \text{€ } 300,000$ Local open tender procedure	$< \text{€ } 300,000$ but $> \text{€ } 10,000$ Competitive negotiated procedure	



## Time planning for the procurement

- Prepare a realistic procurement plan – 9 to 12 month from document package is ready to contract signed
- Inform all involved parties
- Be prepared for surprises



## It takes time...and a delay at one stage has impact all the way

- Presentation of Forecast notice
- Publication of Forecast notice
- Finalise procurement package
- Send Procurement notice for publication
- Publication of Procurement notice
- Deadline for site visit and clarification request
- Deadline for giving clarification
- Deadline receipt tender
- Evaluation Committee meetings
- Approval of evaluation report
- Notify successful candidate
- Receive confirmation of tenderer's acceptance
- Prepare contract & circulate for approvals
- Send contract
- Last date reception signed contract
- Publish award
- Notify unsuccessful candidates
- Start of Works



## Prepare Inventory Procurement Plan

- Type of procurement action
- Description of the foreseen procurement action.
- Entity who will manage the procurement procedures?
- Procurement method:
  - Service contracts
  - Supply contracts
  - Works contracts
- Estimated amount in euro for the procurement action
- Launch of procurement action
- Duration of the procurement action
- Date of contracting
- Duration of eventual subcontracted action



## Recommendations

- Prepare a procurement plan and a calendar of the whole procurement action in advance
- Share procurement calendar and arrive to consensus with all the relevant parties involved in the action
- Designate a responsible person for procurement inside the team (procurement officer?)
- Strict **monitoring** of the deadlines
- Others?





## Frequently asked questions

### Why are there so many rules?

European Commission spend taxpayer money. As custodians of that money, they have a duty to spend it wisely. The rules, regulations & processes help ensure they do so.

The basic principle governing the award of contracts is competitive tendering. The purpose is twofold:

- to ensure the transparency of operations; and
- to obtain the desired quality of services, supplies or works at the best possible price

### Can the rules be waived (set a side)?

No. The rules are in place for a reason and cannot be waived. In fact, most of the rules have been created by, or in response to, legislative action. The rules have been written to provide a reasonable solution for most requirements.

### What happens if the rules are not followed?

European Commission generally has procedures to address rules violations. These tend to be geared toward addressing the issue, resolving it to the benefit of all parties, and preventing future occurrences. However, violations can result in penalties.



## Frequently asked questions

Why do public entities have to buy from the low bidder?

If the job is done right, the low price is normally the best buy.

However, cost is not the only factor considered. European Commission also consider factors such as quality, delivery time, warranty, purchase terms, etc. A low bid generally can be rejected if it is documented that it does not comply with all requirements.



A useful tool:

RETScreen:

A storehouse of information



## RETScreen software

- RET Screen is a series of data bases that tell decision-makers how much energy is produced by a wind turbine, a solar panel, a more efficient gas burner or a small capacity hydro plant. And it can also provide what those systems will cost.
- Allows to evaluate the energy production and savings, life-cycle costs, emission reductions, financial viability and risk for various types of energy efficient and renewable energy technologies (RETs).
- The software also includes product, cost and climate databases, and an online user manual.



## RETScreen software

- RETScreen Version 4 includes:
  - renewable energy, cogeneration, district energy,
- financially viable clean power, heating and cooling technologies,
- energy efficiency measures, incl. evaluation of energy efficiency measures for residential, commercial and institutional buildings; communities; and industrial facilities and processes
- climate data, required by the tool, cover the entire surface of the planet, including central-grid, isolated-grid and off-grid areas,
- The RETScreen Software is available free-of-charge on

[www.etscreen.net](http://www.etscreen.net)

RETScreen4-1 - Microsoft Excel

Home Insert Page Layout Formulas Data Review View Add-Ins RETScreen

Help Product database Climate database Hydrology database Project database RETScreen on the Web Zoom in Zoom out Goal seek Calculator

RETScreen

D14 *fx* Community - 3.6 kW - Off-grid



Natural Resources  
Canada

Ressources naturelles  
Canada

Can



# RETScreen® International

www.retscreen.net

Clean Energy Project Analysis Software

## Project information

[See project database](#)

Project name	Community - 3.6 kW - Off-grid
Project location	Syrian Arab Republic
Prepared for	
Prepared by	
Project type	Power
Technology	Photovoltaic
Grid type	Off-grid
Analysis type	Method 1
Heating value reference	Lower heating value (LHV)
Show settings	<input type="checkbox"/>

## Site reference conditions


[Select climate data location](#)

Climate data location	Aleppo/Messelmieh
Show data	<input type="checkbox"/>



Home Insert Page Layout Formulas Data Review View Add-Ins RETScreen

Help Product database Climate database Hydrology database Project database RETScreen Web Zoom in Zoom out Goal seek Calculator



D14

**RETScreen**

Natural Resources Canada Ressources naturelles Canada

**RETScreen® International**  
www.retscreen.net

Templates Case studies User-defined

Project type	Type	Project location	Climate data location	Project name
Power	Hydro turbine	Canada	Dawson Creek	62 kW - Isolated-gr
Power	Hydro turbine	Guatemala	Guatemala	8,800 kW
Power	Hydro turbine	Canada	Golden	Residential - 4.0 kW
Power	Photovoltaic	Germany	Kassel	1,000 kW
Power	Photovoltaic	Canada	Iqaluit Airport	3.2 kW - Isolated-gr
Power	Photovoltaic	Canada	Toronto	80 kW
Power	Photovoltaic	Syrian Arab Republic	Aleppo/Messelmiyeh	Community - 3.6 kW
Power	Photovoltaic	Canada	Whitehorse Airport	Industrial - 0.2 kW -
Power	Photovoltaic	Canada	Goose A	Industrial - 3.1 kW -
Power	Photovoltaic	Canada	Muskoka Airport	Residential - 0.3 kW
Power	Photovoltaic	Argentina	Neuquen Airport	School - 0.4 kW - O
Power	Photovoltaic	Canada	Toronto Int'l Airport	Water pumping - 0.0
Power	Photovoltaic	Canada	Kingston	Water pumping - 0.1
Power	Photovoltaic	Morocco	El Kelaâ Des Sraghna	Water pumping - 1.9

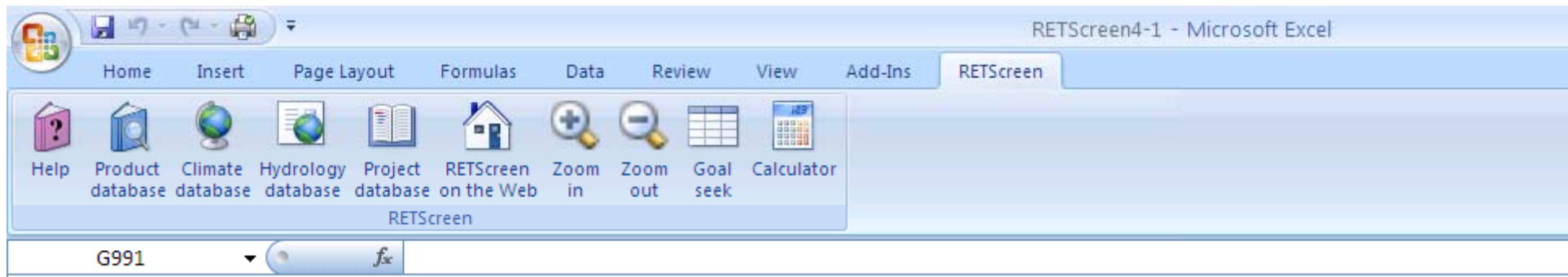
NASA UNEP GEF reeep

**Site reference conditions**

[Select climate data location](#)

Climate data location

Show data



RETScreen Energy Model - Power project

**Power project**

**Base case power system**

Grid type	Off-grid	
Technology	Reciprocating engine	
Fuel type	Diesel (#2 oil) - L	
Fuel rate	\$/L	0.150
Capacity	kW	3.00
Heat rate	kJ/kWh	167,716
Annual O&M cost	\$	0
Electricity rate - base case	\$/kWh	0.693
Total electricity cost	\$	2,126

**Load characteristics**

- Method 1
- Method 2

	Unit	Base case	Proposed case
Electricity - daily - DC	kWh	0.000	0.000
Electricity - daily - AC	kWh	8.400	8.400
Intermittent resource-load correlation			Negative

**Percent of month used**

		Base case	Proposed case	Energy saved	Incremental initial costs
Electricity - annual - DC	MWh	0.000	0.000		\$ -
Electricity - annual - AC	MWh	3.066	3.066	0%	\$ -
Peak load - annual	kW		2.40		

**Proposed case power system**

			Incremental initial costs
Inverter Capacity	kW	2.4	\$





## Procurement process Presentation by the projects:

“Somalia Energy and Livelihood Project”, Somalia  
[ADRA Somalia / ADRA UK]

“Upscaling access to integrated modern energy and  
services for poverty reduction”, Tanzania [HIVOS]