



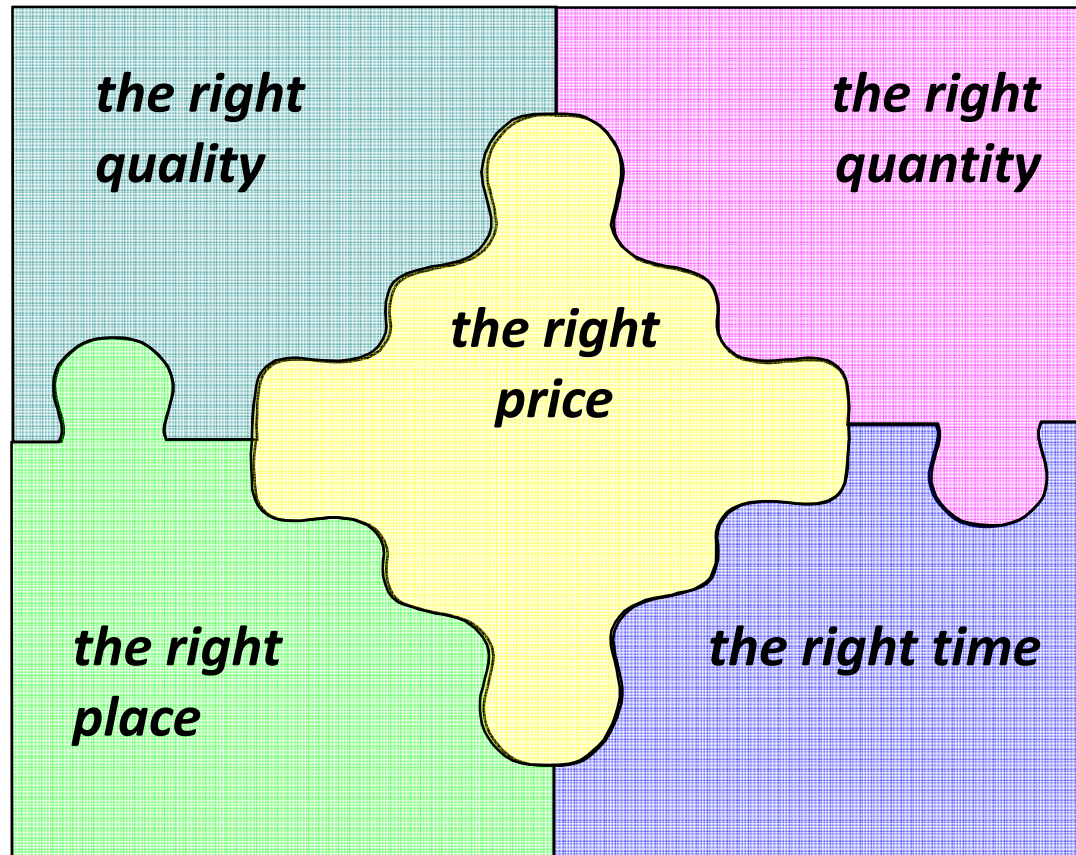
# Procurement in Energy Projects?

Rules and handling of procurement of  
equipment

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Procurement can be characterized as a puzzle requiring ..





## Aim for 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 an 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

## Practical 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





## 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 have 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



## 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)



# ACP - EU Energy Facility Monitoring

Supplies - Windows Internet Explorer

http://ec.europa.eu/europeaid/work/procedures/implementation/supplies/index\_en.htm

procurement guidelines europeaid

European Commission  
External cooperation programmes

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European Commission > EuropeAid > Work with us > Procedures & documents > Implementation > Supplies

## Supplies

2008 Practical Guide and supplies annexes. Applicable from 1 January 2009. For 2007 annexes, please consult the archives.

[Practical guide - Supplies section](#) [629 KB] [de] [es] [fr] [pt]

### 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.*

[Simplified Tender Dossier](#) [151 KB] [es] [fr] [pt]

- C1 [Individual contract forecast](#) [31 KB] [de] [es] [fr] [pt]
- C2 [Procurement notice](#) [85 KB] [de] [es] [fr] [pt]
- C3 [Summary Procurement Notice - Local Advertisement](#) [29 KB] [de] [es] [fr] [pt]
- C4 **Standard tender dossier (including standard contract)**
- C4 [Letter of invitation to tender](#) [65 KB] [de] [es] [fr] [pt]
- C4 [Instructions to tenderers](#) [153 KB] [de] [es] [fr] [pt]
- C4 [Draft contract](#) [86 KB] [de] [es] [fr] [pt]

#### Implementation

- Practical Guide
- Eligibility
- Per Diems
- Services
- Supplies
- Works
- Grants
- International Organisations, National Agencies and other donors
- Programme Estimates

#### Previous versions

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

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## 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.

### 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 have 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.



## 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?



# 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





## Challenges to remember

### **Cost estimations** in procurement:

- Market quotations
- Internal database (how to update prices? – inflation)
- Previous tenders (not useful for innovative projects).

### Difficult things to **estimate**:

- Projects with unknown areas (ie. Network rehabilitation).
- Projects with weak pre-feasibility or feasibility studies
- Company profit (%): Depends on the country, the sector, the degree of uncertainty of the project