

# REINTERPRETATION OF (SUB-)PROJECT PROCUREMENT

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**International Public Procurement Conference**

**Fort Lauderdale**

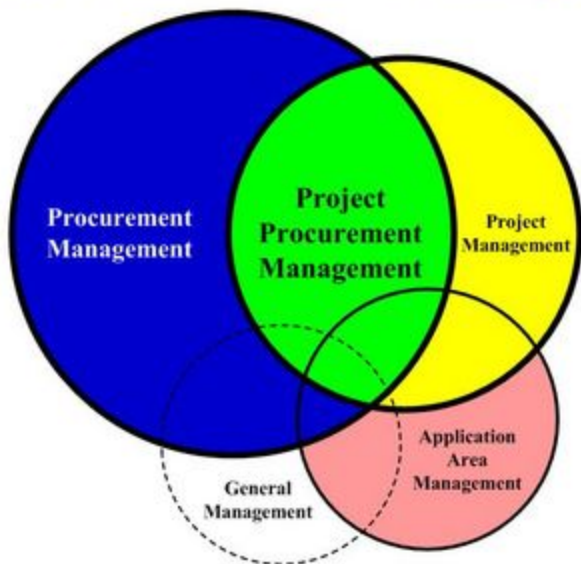
**2004**

# Agenda

- Projects in the Context of Procurement
- Procurement in the Context of Project Management
- Practical Conclusions

# **PROJECTS IN THE CONTEXT OF PROCUREMENT**

# Project Procurement Management



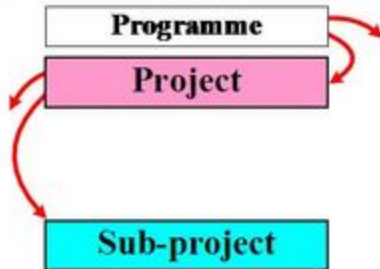
# Definition of 'Project'

- **Project Management Institute:** “project is a temporary endeavour undertaken to create a unique product or service”<sup>1</sup>.
- **Suggested procurement-related definition:** project means the provision of all activities as well as tangible and intangible items that are necessary for the delivery of **the contracted facility**.

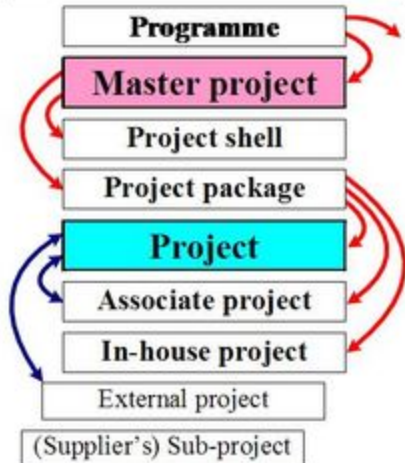
<sup>1</sup> PMI (2000). *A Guide to the Project Management Body of Knowledge (PMBOK® Guide)*. Copyright and all rights are reserved by PMI.

# Terminology

## Terms in Use

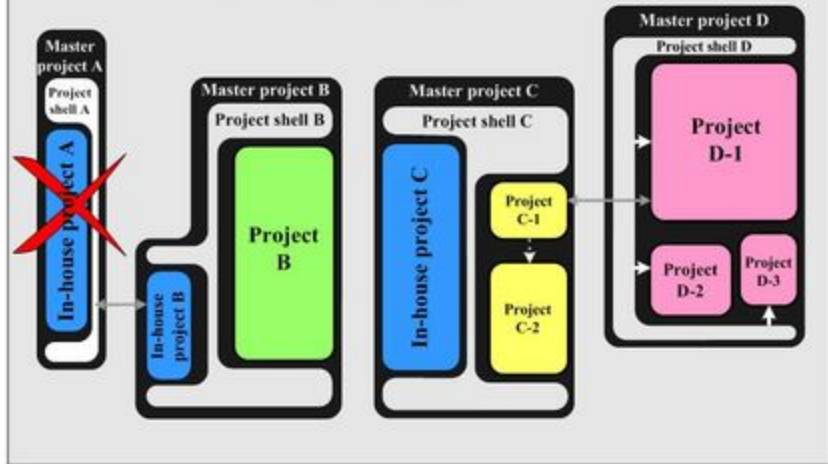


## Suggested Terms



# Master Project Schemes

## Procuring entity's programme



# Definition of 'Project Management'

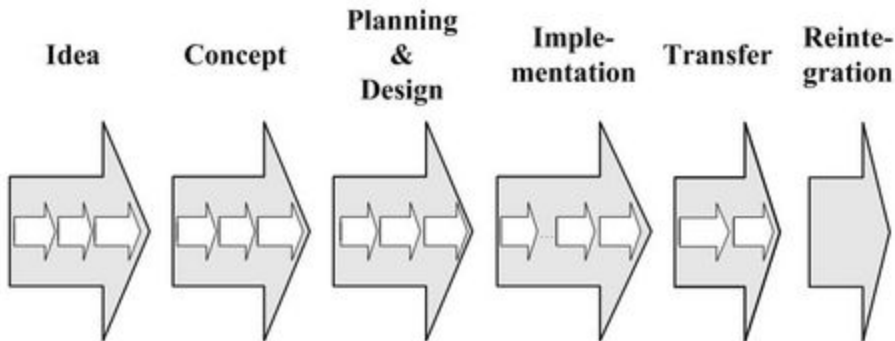
- **Project Management Institute:** “project management is the application of knowledge, skills, tools and techniques to project activities to meet project requirements”<sup>2</sup>.
- **Suggested procurement-related definition:** project management is the application of knowledge, skills, tools and techniques to realise **the contracted facility** through scheduled interim stages .

<sup>2</sup> PMI (2000). *A Guide to the Project Management Body of Knowledge (PMBOK® Guide)*. Copyright and all rights are reserved by PMI.



# **PROCUREMENT IN THE CONTEXT OF PROJECT MANAGEMENT**

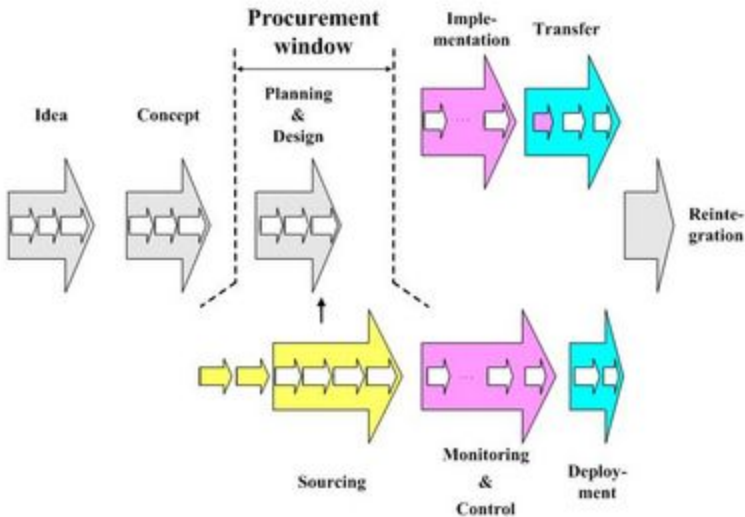
# Typical Project Management Phases without Procurement (1)



# Typical Project Management Phases without Procurement (2)

Phase		Stage	
Suggested term	Alternatives		
IDEA	<i>Conception, initiation, conceive</i>	<b>Identification</b>	
		<b>Objectives</b>	
CONCEPT	<i>Definition</i>	<b>Approval</b>	
		Perimeters	
		Development	
PLANNING & DESIGN	<i>Development, planning and development</i>	Approval	
		Outline design	
		Detailed design	
		Approval	
IMPLEMENTATION	<i>Implementation</i>	<i>Execution</i>	
			Execution stage 1
			Execution stage 2
			·
			Execution stage <i>n</i>
Training			
TRANSFER	<i>Transfer</i>	<i>Delivery</i>	
REINTEGRATION		Acceptance	
		<i>Closeout, closing, finishing, finalisation</i>	

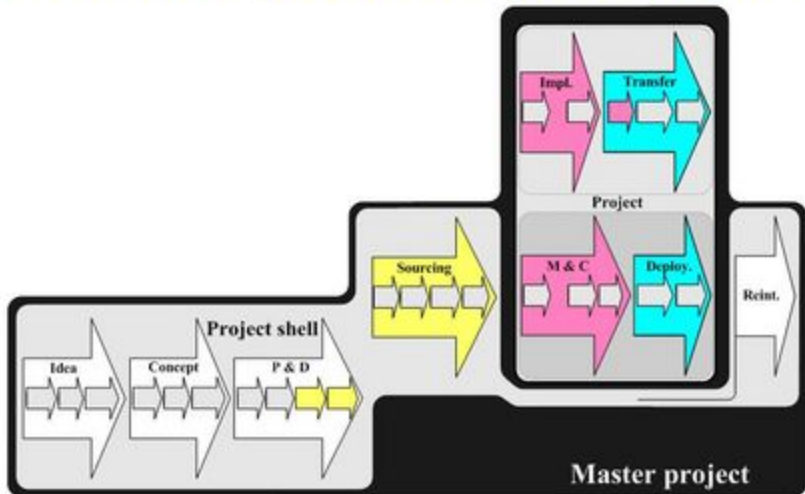
# Supplementary Phases of Project Procurement (1)



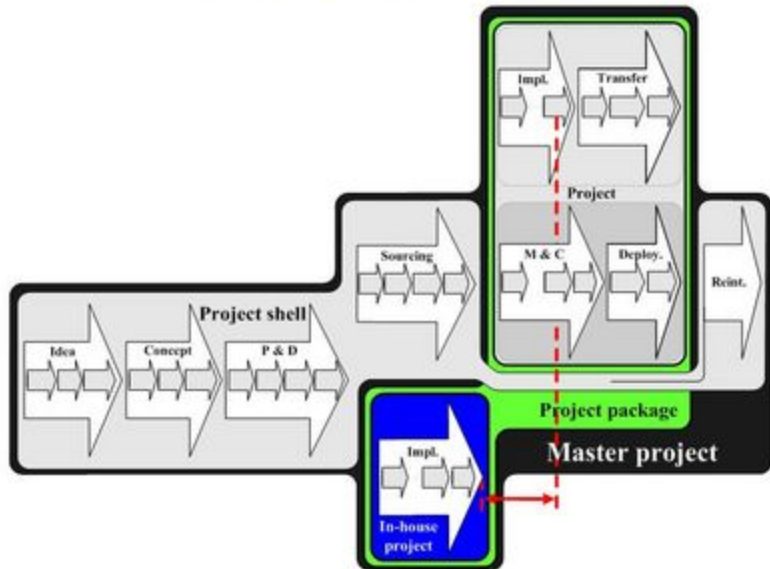
# Supplementary Phases of Project Procurement (2)

Phase	Stage	Sub-Stage
PLANNING & DESIGN	Outline design	Project packaging
		Procurement design
	Detailed design	Drafting
		Approval
SOURCING	Solicitation	Publication and issuance
		Clarification of the solicitation documents
		Submission of offers
	Evaluation	Clarification and evaluation of offers
		Integrated evaluation
	Selection	Evaluation report
		Approval
	Contracting	Contract award
		Scheduling
		Finalizing
Approval		
Signing		
MONITORING & CONTROL		
DEPLOYMENT		

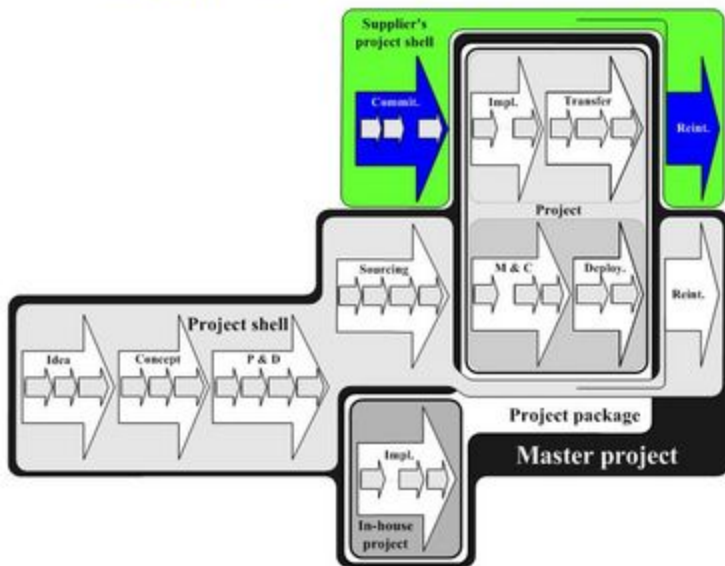
# Parallel Project Management Phases



# In-house Project



# Supplier's Project Shell

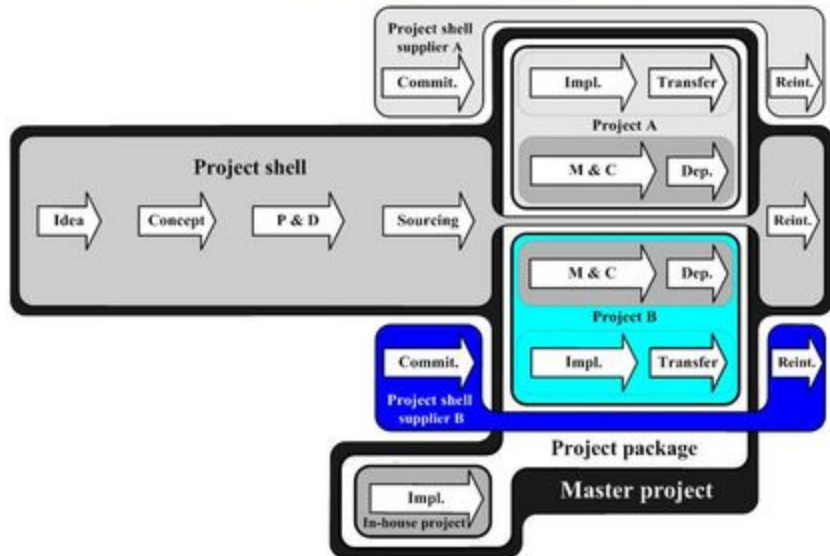




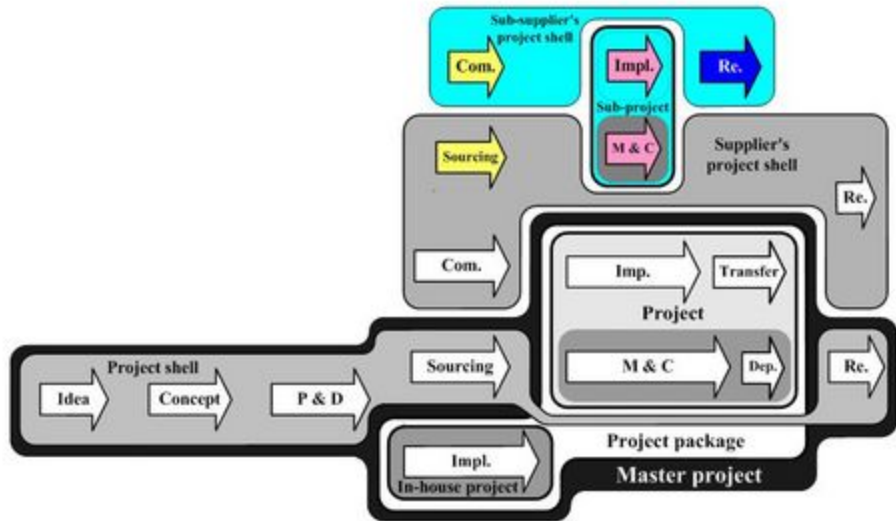
# Supplier's Project Realisation Phases

Phase	Stage	Sub-stage
COMMITMENT	Appraisal	
	Clarification of the solicitation documents	
	Offer preparation and submission	
	Explanation of the offered content	
I M P L E M E N T A T I O N	Contracting	
	Preparation	Site survey
		Impl. planning & design
	Execution stage 1	
	Execution stage 2	
	.	
	.	
	Execution stage n	
	Training	
	TRANSFER	Provisional acceptance
Trial operation		Putting into operation Adjustment, development Elimination of minor faults
		Final acceptance
REINTEGRATION		

# Associate Projects



# Sub-contracting by the Supplier



# Knowledge Areas: Pre-Project Phases

Project shell			Project Management Knowledge Areas									
Process	Phase	Stage	Core Knowledge Areas						Facilitating Knowledge Areas			
INITIATING	Initiation	IDEA	Project Integration	Scope	Cost	Time	Quality	Project Procurement	Communication	Risk	Human Resources	
		CONCEPT	Value Management			Provisional RAM	Marketing VA	RAM	Design VA	Realisation (DOCU)	WBS	Price
PLANNING	Procurement planning		PLANNING & DESIGN	DRAFTING	Initial project package, procurement and evaluation system, timing							
	Solicitation planning	Solicitation and contract documents			Solicitation and contract documents							
EXECUTING	S	SOURCING	Solicitation	Publication/invitation, issuance, clarification, submission								
	Source selection		Evaluation	Overall	Technical	Price	Commercial	Justification and approval of the award proposal				
			Selection	Harmonisation of contract details								
			Contracting									

# Knowledge Areas: Project Phases

Project (procuring entity)			Project Management Knowledge Areas										
Process	Phase	Stage	Core Knowledge Areas						Facilitating Knowledge Areas				
			Project Integration Mngmt.	Scope Mngmt.	Cost Mngmt.	Time Mngmt.	Quality Mngmt.	Project Procurement Management	Communication Mngmt.	Risk Mngmt.	Human Resources Mngmt.		
			Value Measurement										
EXECUTING CONTROLLING Contract administration	MONITORING & CONTROL	Exec. stage 1											
		Exec. stage 2		EVM monitoring									
		...											
		Exec. stage n	Integrated	Scope	Value	Cost	Impl.	Quality					
		Training	Change control										
		Provisional acceptance	Acceptance testing mngmt										
		DEPLOYMENT	Live operation										
	Final acceptance	Acceptance testing mngmt											
CLOSING Contract closeout	REINTEGRATION												

# PRACTICAL CONCLUSIONS

# Project Procurement Management

- The procurement area should be involved already from the concept phase.
- Contractual project management obligations of the parties should be worked out in time.
- The sourcing phase is dominated by the project procurement management knowledge area.

# Project Management Organisations

- Need for a joint co-ordinating body and counterpart project management organisations.
- In the case of the traditional procurement system:
  - **Procuring entity's task:** planning and design, monitoring and control of the implementation (+deployment)
  - **Supplier' task:** implementation (+transfer)
- Contractual provisions for:
  - Responsibility allocation (RAM)
  - Harmonised project management methodology
  - Change control management