Principles and Practices of Public Procurement

Values and Guiding Principles of Public Procurement

Accountability

Taking ownership and being responsible to stakeholders for our actions…essential to preserve the public trust and protect the public interest.

Principles:

- Apply sound business judgment.
- Be knowledgeable of and abide by all applicable laws and regulations.
- Be responsible stewards of public funds.
- Maximize competition to the greatest extent practicable.
- Practice due diligence.
- Promote effective, economic, and efficient acquisition.
- Support economic, social, and sustainable communities.
- Use procurement strategies to optimize value to stakeholders.

Ethics

Acting in a manner true to these values…essential to preserve the public's trust.

Principles:

- Act and conduct business with honesty and integrity, avoiding even the appearance of impropriety.
- Maintain consistency in all processes and actions.
- Meet the ethical standards of the profession.

Impartiality

Unbiased decision-making and action…essential to ensure fairness for the public good.

Principles:

- Be open, fair, impartial, and non-discriminatory in all processes.
- Treat suppliers equitably, without discrimination, and without imposing unnecessary constraints on the competitive market.
- Use sound professional judgment within established legal frameworks to balance competing interests among stakeholders.

Professionalism

Upholding high standards of job performance and ethical behavior…essential to balance diverse public interests.

Principles:

- Be led by those with education, experience, and professional certification in public procurement.
- Continually contribute value to the organization.
- Continually develop as a profession through education, mentorship, innovation, and partnerships.
- Develop, support, and promote the highest professional standards in order to serve the public good.
- Seek continuous improvement through on-going training, education, and skill enhancement.

Service

Obligation to assist stakeholders…essential to support the public good.

Principles:

- Be a crucial resource and strategic partner within the organization and community.
- Develop and maintain relationships with stakeholders.
- Develop collaborative partnerships to meet public needs.
- Maintain a customer-service focus while meeting the needs, and protecting the interests, of the organization and the public.

Transparency

Easily accessible and understandable policies and processes…essential to demonstrate responsible use of public funds.

Principles:

- Exercise discretion in the release of confidential information.
- Maintain current and complete policies, procedures, and records.
- Provide open access to competitive opportunities.
- Provide timely access to procurement policies, procedures, and records.

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GLOBAL BEST PRACTICES AND DEFINITIONS

Strategic Planning:

Global Best Practice: Public procurement should understand its purpose in relation to the organization and constituency that it serves. The purpose should be clearly stated, in written format, through the development of a Mission, Vision, and Values statement (See: Values & Guiding Principles) that is specific to the procurement function.

Procurement should then develop a strategic plan that aligns goals and objectives in accordance with the Mission, Vision and Values, while fulfilling the obligation to meet the needs of the organization and public. The plan should be reviewed and/ or updated annually.

Definitions:

Strategic Planning is the process of creating alignment and consistency of action that results in documents that establish the long-range objectives and overall strategy or course of action by which an organization fulfills its mission.

Strategic Procurement Planning (SP2) is the transformation of an organization's mission, goals, and objectives into measurable activities to be used to plan, budget, and manage the procurement function within the organization. The ultimate goal is to bring about positive change in organizational culture, systems, and operational processes.

Performance Measurement:

Global Best Practice: Procurement should have a performance measurement system that assesses progress towards achievement of the strategic plan.

Definition: Performance measurement is the process by which procurement establishes criteria, based on strategic planning goals, for determining the results and quality of its activities. It involves creating a simple, effective system for determining whether procurement is meeting its objectives.

Performance Management:

Global Best Practice: Public procurement should develop a performance management program (See Figure 1) that allows for a continuous cycle of improvement. The performance management program should be integrated across the procurement organization, individual, and supplier levels**.**

Definition: Performance management in the public sector is an ongoing, systematic approach to improving results through evidence-based decision making, continuous organizational learning, and a focus on accountability for performance. Performance management is integrated into all aspects of an organization's management and policy-making processes, aligning an organization's practices so it is focused on achieving improved results for the public.

Performance Metrics:

Global Best Practice: A standard set of metrics that are aligned with strategic goals should be developed and regularly measured by all units within the procurement function.

Definition: The term given to the measurement of performance; an analytical application of measurement that allows comparison of performance standards.

Cooperative Procurement:

Global Best Practice: After conducting extensive due diligence and market research, public procurement should, where permissible by law or regulation, consider the use of cooperative contracts, in order to lower prices, lower administrative costs, increase competition, and obtain more favorable terms and conditions. When using cooperative contracts attention should be given to ensuring legal compliance, open competition, and effective/ efficient use of time and resources**.**

Definitions:

Cooperative Procurement: A term that refers to the combining of requirements of two or more public procurement entities to leverage the benefits of volume purchases, delivery and supply chain advantages, best practices, and the reduction of administrative time and expenses.

Piggyback Cooperative Procurement: A form of intergovernmental cooperative purchasing in which an entity will be extended the same pricing and terms of a contract entered into by another entity. Generally the originating entity will competitively award a contract that will include language allowing for other entities to utilize the contract, which may be to their advantage in terms of pricing, thereby gaining economies of scale that they would otherwise not receive if they competed on their own.

Transparency:

Global Best Practice: Public procurement should to the greatest extent practicable, be transparent in its practices, processes, policies and relationships with all stakeholders, while ensuring protection of confidential information.

Definition: Transparency can be defined as timely, easily understood access to information. Transparency assists in ensuring that any deviations from fair and equal treatment are detected very early, and makes such deviations less likely to occur. It protects the integrity of the process and the interest of the organization, stakeholders, and the public.

Risk Management:

Global Best Practice: Procurement should identify risk factors associated with each procurement (*See Element 1.1)*, analyze the probability of the risk occurring and consider the potential impacts. Risk management plans should then be developed, based on the decision to avoid, assume, or transfer the identified risks.

Definition: Risk management is a process including the identification and analysis of risk; and the decision to either accept or mitigate the exposure to such risk when compared to the potential impact on the achievement of the organization’s objectives.

Developing a Procurement Policy Manual:

Global Best Practice: Procurement organizations should develop a comprehensive policy manual that clearly defines authority, responsibility, and establishes guidelines for the organization and the procurement professional to follow when carrying out their responsibilities.

Definition: A policy is a governing set of principles which establish the general parameters for an organization to follow in carrying out its responsibilities.

Ethical Procurement:

Global Best Practice: It is essential that public procurement professionals and stakeholders adhere to a well-defined and established code of ethics. The Public Procurement organization should have an adopted code of ethics and require its employees to uphold the code and seek commitment to it by all those with whom they engage.

Definition: Ethical procurement prohibits breach of the public's trust by discouraging a public employee from attempting to realize personal gain through conduct inconsistent with the proper discharge of the employee's duties.

Performance-Based Contracting:

Global Best Practice: Procurement organizations should seek to improve performance and lower costs through the use of performance-based contracts that: (1) describe the requirements in terms of results required rather than specifying how the work is to be accomplished; (2) set measurable performance standards; (3) describe how the contractor's performance will be evaluated in a quality assurance plan; (4) identify and use positive and negative incentives, when appropriate.

Definition: A results-oriented contracting method that focuses on the outputs, quality, or outcomes that may tie at least a portion of a contractor's payment, contract extensions, or contract renewals to the achievement of specific, measurable performance standards and requirements. These contracts may include both monetary and non-monetary incentives and disincentives.

Sustainable Procurement:

Global Best Practice: An organization practicing sustainable procurement should consider the three aspects of sustainability (economic, social and environmental) to create a more enduring approach to procuring goods and services across the public sector which will contribute positively to the community in which it exists and beyond.

Definition: Sustainable procurement is a purchasing and investment process that takes into account the economic, environmental and social impacts of the entity's spending (NIGP, 2012). Sustainable procurement allows organizations to meet their needs for goods, services, construction works and utilities in a way that achieves value for money on a whole-life basis in terms of generating benefits not only to the organization, but also to society and the economy, while remaining within the carrying capacity of the environment".

Spend Analysis:

Global Best Practice: Procurement organizations should use spend analysis to leverage buying power, reduce costs; provide better management and oversight of suppliers, and to develop an informed procurement strategy. Spend analysis should include the identification, automated collection, cleansing, grouping, categorization, and analysis of all spend data for the goods and services that have been purchased for the organization.

Definition: Spend Analysis is the process of collecting, cleansing, classifying and analyzing expenditure related data from all available sources within the organization (i.e. purchasing card, accounts payable, contract management, e-Procurement systems, etc.) in order to produce information that may be useful in procurement decisions. The process analyzes the current, past and forecasted expenditures to allow visibility of data by supplier, by commodity or service, by department within the organization, or by other criteria as available in the raw data. Spend analysis can be used to make future management decisions by providing answers to such questions as: what was bought; when was it bought; where was it purchased; how many suppliers were used and how much was spent with each; how much was paid for the item.

Lease-Purchase Decision:

Global Best Practice: The decision to lease or purchase should be considered on a case-by case evaluation of comparative costs and other factors. Procurement should conduct a cost/ benefit analysis to determine the appropriate contracting method.

Definition: A decision based on the results of a cost/benefit analysis of the costs to own, costs to lease, and the advantages and disadvantages of any relevant qualitative factors.

Specifications:

Global Best Practice: Public procurement should understand the elements required to accurately define, represent and fully express the requirements of the requestor and should recognize that a specification may form a part of a wider description of requirements. The description of requirements must establish an accurate description of need so that the potential suppliers can provide acceptable solutions.

Definition: A specification is:

- A precise description of the physical or functional characteristics of a product, service or combination; and/or
- A description of what the purchaser seeks to buy and what a bidder must respond to in order to be considered for award of a contract.

Specifications generally fall under the following categories: design, performance, or combination (design and performance). It might describe a brand name product and require an approved equal, or specify a qualified products list and/or samples. A specification may also be known as a purchasing description or statement of work (SOW).

Developing Evaluation Criteria:

Global Best Practice: Before issuing the solicitation procurement professionals, and applicable stake-holders, must establish the criteria by which the resulting bids or proposals will be evaluated. Once the appropriate procurement method is selected, criteria should be established to evaluate bids or proposals for the most economically advantageous offer for the contracting authority, or for the lowest price.

Definitions:

Evaluation Criteria: A pre-determined list of all items, developed by the procurement experts and the user, that will be scored to determine whether the proposer/ offer is responsive and/or responsible. The measurements associated with these items should be clear and understandable to the proposers/ offerors and to the evaluation team. Items should be prioritized and weighted by their relative importance. The evaluation criteria may differ for the selection and award phases, and may differ according to the type of purchase. Regardless, the end goal of the process is to obtain an outcome that is beneficial for all stakeholders.

Selection Criteria: Criteria that may be used to qualify a proposer/ offeror. The criteria should determine whether or not the proposer/ offeror is responsible and has the capability/ capacity to meet the requirements of the solicitation and the subsequent contract. The proposer/ offeror must possess the full capability and capacity to perform in good faith. The criteria may include criterion to assess the proposer's/ offeror's financial condition, ethics, quality of services/ goods supplied, capability of facilities/ equipment used to provide the good/ service, reliability, management, experience, and technical ability.

Award Criteria: The criteria identified at the award stage must relate directly to the goods, services or works to be provided. Award criteria should evaluate the proposer's/ offeror's conformance to all material with respect to the requirements, including all form and substance. Public bodies can award contracts on the basis of the most economically advantageous tender or the lowest price.

Outsourcing:

Global Best Practice: Procurement professionals should take the lead in outsourcing activities by identifying services that could best be fulfilled through the outsourcing process. During the decision making stage, it is the responsibility of the procurement team to ensure that the process is competitive, fair, transparent, and capable of delivering the best value for the public.

Definition: An informed decision by an organization to contract outside of the organization for a product, service or business process that had previously been provided internally (in-house).

Technology in Public Procurement:

Global Best Practice: Procurement professionals should identify and implement technology that aides the procurement process and supports the overall strategy of the organization. The technology should create measureable results (linked to Return on Investment) including, reduced transaction costs, improved process efficiency, a reduction or elimination in "maverick spending", increased contract compliance, improved transparency, reduced cycle times and improved inventory costs.

Technology can also increase supplier access to bid opportunities which can result in increased competition, diversity and inclusion of suppliers.

Definition: Procurement Technology helps accelerate business improvements.
It allows for the making, modification, usage, and knowledge of tools, machines, techniques, crafts, systems, or methods of organization, to solve a problem, improve a pre-existing solution, achieve a goal, or perform a specific function in relation to procurement and the procurement process.

The Evaluation Process:

Global Best Practice: The receipt, opening, and evaluation of requested documentation from potential suppliers must be carried out by a competent evaluation panel and in accordance with all applicable laws, as well as the principles of impartiality and transparency. Those involved in the process must maintain integrity and professionalism in all aspects of evaluation. All submissions received must be kept secure during the evaluation process1. The confidentiality of the submitted documents must also be maintained subject only to applicable freedom of information or public records legislation.

Definition: Evaluation Process is the process by which a qualified panel or responsible individual receives, opens and evaluates the requested documentation from potential suppliers. The evaluation process is a complete review of the received proposals based on pre-defined evaluation criteria. The criteria should be comprehensive enough to determine the best value solution for the public body so that a recommendation for award can be made.

Supplier Relationship Management (SRM):

Global Best Practice: Supplier Relationship Management: Good Supplier Relationship Management (SRM) is an effective practice that will allow an organization to:

- Identify strategic suppliers based on relative importance (supplier stratification);
- Define operational expectations and establish a governance structure and process for internal and supplier interactions across the life cycle of the supplier relationship;
- Define formal processes for management involvement in the relationship;
- Clarify internal roles and responsibilities;
- Establish processes to effectively manage performance; and
- Develop supplier capabilities to continuously improve the value of the organization.

Definition: Supplier Relationship Management (also called Vendor Relationship Management) is a set of principles, processes, and tools that can assist organizations to maximize relationship value with suppliers and minimize risk and management of overhead through the entire supplier relationship life cycle. Supplier Relationship Management has two aspects, which are:

- Clear commitment between the supplier and the buyer, and
- The objective of understanding, agreeing, and whenever possible, codifying the interactions between them.

Qualifications-Based Selection for Architectural & Engineering Services:

Global Best Practice: When contracting for architectural and engineering services, procurement is encouraged to use Qualifications-Based Selection (also referred to as Quality Based Selection).

Definition: Qualifications-Based Selection (QBS) is a procurement process for the competitive selection of architectural and engineering services under which the most appropriate professional or firm is selected based on qualifications such as knowledge, skill, experience, and other project-specific factors, rather than on fees. Fair and reasonable fees are negotiated with the top-ranked firm for an agreed-upon scope of services.