Developing the Annual Procurement Plan (APP)

Presenters: Procurement Regulator and Team

Date: 2nd & 3rd November 2021

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AGENDA

1. Welcome & Introduction
2. Q & A Session
3. Inputs into the Annual Procurement Plan
   - ✓ Description of the Public Body
   - ✓ Analysis of the Public Body's Procurement Portfolio - upcoming FY(s)
   - ✓ Analysis of the Public Body's Procurement Function
   - ✓ Analysis of the PBs Procurement Performance
   - ✓ Planned Treatments for each category of procurement spend
4. The Annual Procurement Performance Report
5. The Annual Schedule of Planned Procurement Activities
6. Writing the Annual Procurement Plan
7. Responses to Queries Raised by Public Bodies
8. Trivia (competition)
9. Closing Remarks

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Question
&
Answer Segment

Purpose of the Annual Procurement Plan

- Assists public bodies with the following:
  - Identifying all expenditure items for the upcoming financial year
  - Analysing the items with a view to determining the most appropriate

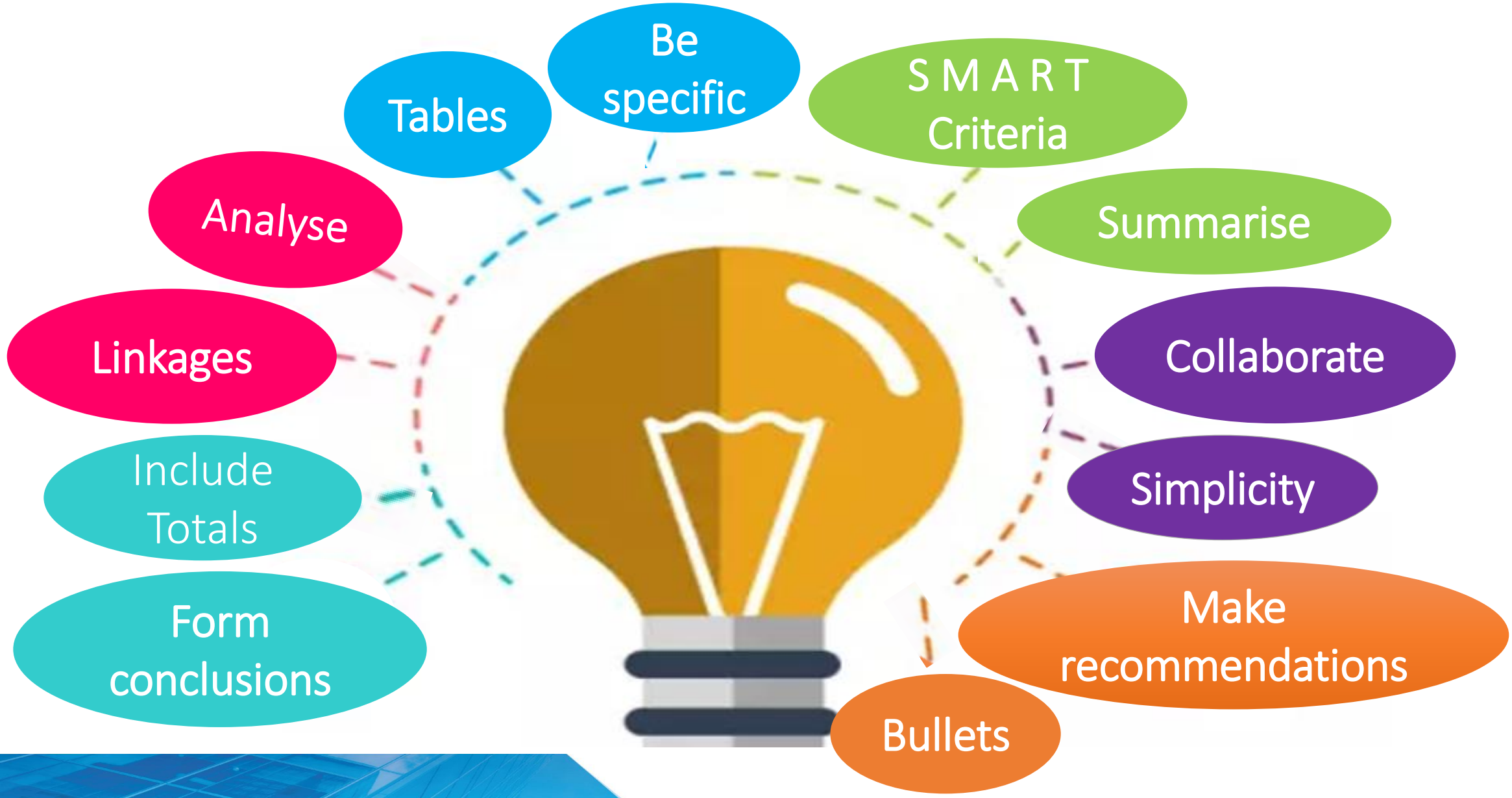
- Procurement strategy
- Procurement method
- Contract Management Strategy

… for achieving the objects of the Act (S5.)

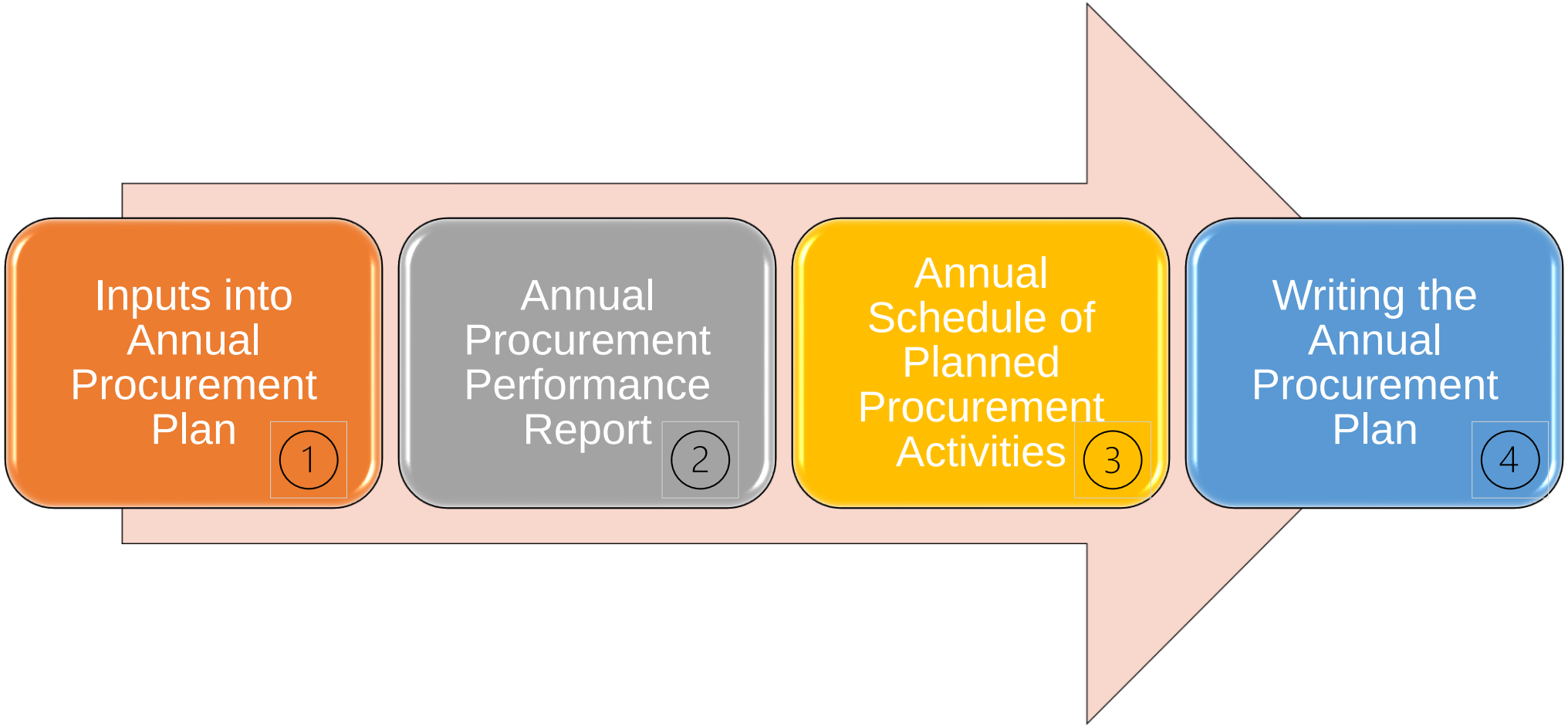
Promote the principles of

a) Accountability
b) Integrity
c) Transparency
d) Value for Money
e) Efficiency
f) Fairness
g) Equity
h) Public Confidence
i) Local Industry Development
j) Sustainable Procurement
k) Sustainable Development

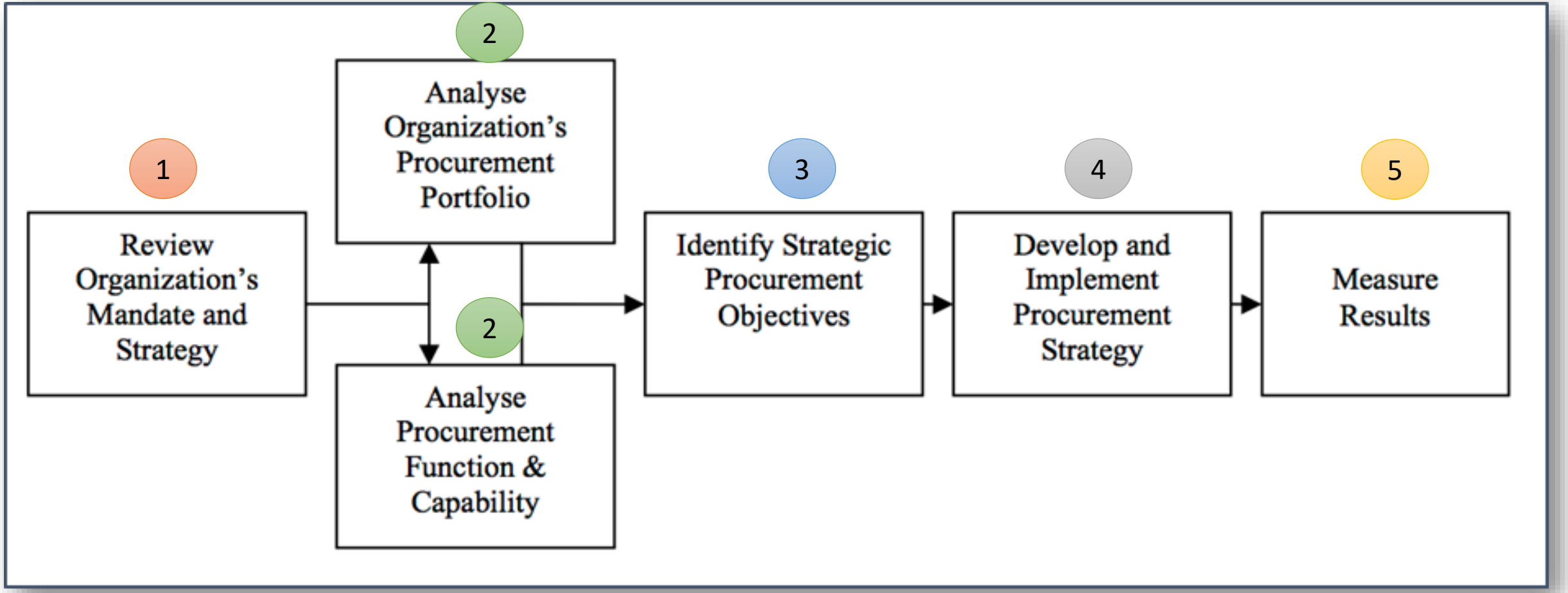
Pointers


Be specific
Tables
S M A R T Criteria
Analyse
Summarise
Linkages
Collaborate
Include Totals
Simplicity
Form conclusions
Make recommendations
Bullets

Annual Procurement Plan Process



The Annual Procurement Planning Process



1. Review Mandate and Strategy (1)

Consider these

1. Organisation name
2. Establishment (How, when, location, size, structure)
3. Mandate (Why was it established, who does it serve?)
4. Strategy (How does it provide its services; Strategic Objectives? Business Plan? Procurement needs?)
5. Your organisation's procurement function
   - Structure and reporting lines, number of staff, procurement qualifications and experience, internal controls

2a. Analyse Procurement Portfolio (1)

Step 1:
Develop procurement portfolio listing (recurrent and developmental projects – *notwithstanding source of funding*)

Table 4.1.1: Sample Procurement Portfolio

	Item Description	Quantity	Total Price
1.	Vehicles. SUV, 5-door	2	$600,000.00
2.	Consultancy Services for Design & Development of a Database	1	$750,000.00
3.	Janitorial Services for a period of one year	1	$250,000.00
4.	Microsoft Licenses for 20 staff members		$75,000.00
5.	Construction of a fence, 75ft		$650,000.00
6.	Fan, standing, 16"	2	$800.00
7.	Stationery items (pens, pencils, letter-sized paper, legal-sized paper, post-its)		$20,000.00
8.	Drinking Water (various sizes)		$5,000.00
9.	Toner, for printer	10	$25,000.00
	Total		$2,375,800.00

Transparency

Accountability

2a. Analyse Procurement Portfolio (2)

Step 2: Analysis of procurement portfolio (market conditions)

Analytical Tools

1. **Pareto Analysis** – High-level look at the spend values (highest to lowest) – 80/20 rule
2. **Porter's Five Forces** – Examination of market conditions
    1. Competitiveness of the market
    2. Buyer power vs supplier power
    3. Substitutes
    4. Barriers to entry
3. **Supplier Preferencing Model** – How does the supplier view doing business with your organisation – Comparison of Value of Contract and the Attractiveness of the Account
4. **SWOT** – Internal (Strengths, Weaknesses); External (Opportunities, Threats)
5. **PESTLE** (Political, Economical, Social, Technological, Legal, Environmental)

2a. Analyse Procurement Portfolio (3)

Step 2:
Analysis of procurement portfolio

(categorisation, procurement & contract management strategies)

Analytical Tools/Techniques

1. **Kraljic (1983) Model** – risk of supply vs relative price/contract value
    1. (Routine, Leverage, Bottleneck, Strategic)

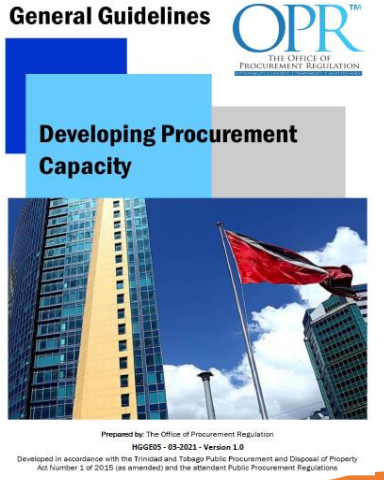
2. **Procurement Management Strategies** – for each of the four segments
    1. Routine – Minimise administrative efforts (**stationary**)
    2. Leverage – Total cost reduction and high-service levels from suppliers (**janitorial services**)
    3. Bottleneck – reduce supply risk; ensure continuity of supply (**toner**)
    4. Strategic – Achieve value for money and reduce supply risk

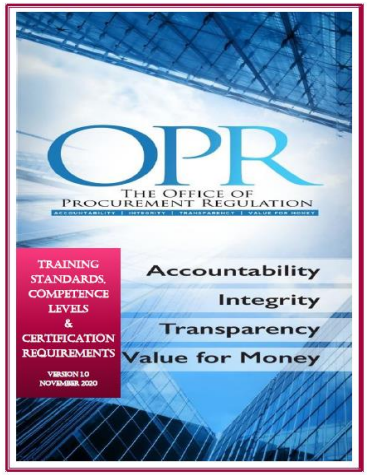
3. **Supply Purchasing Model** – to determine contract management strategy
    1. Framework agreement, lump-sum/fixed price; unit rate, measured works, KPI's, performance standards

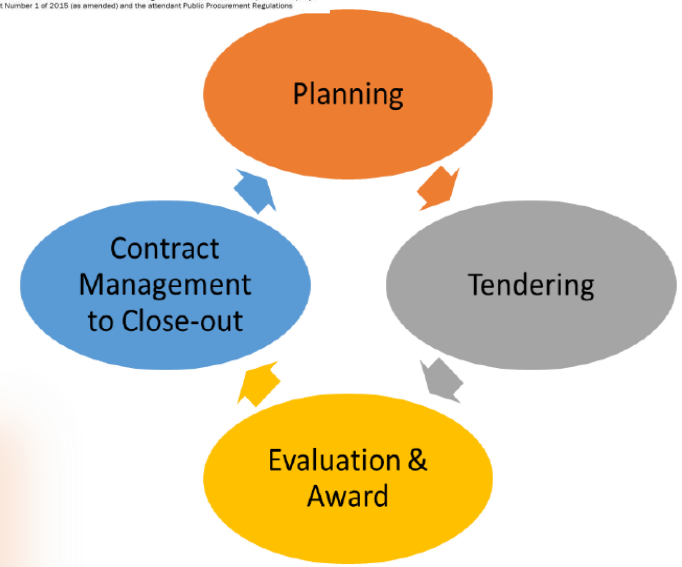
2b. Analyse Procurement Function and Capability

Consider these

1. Quantum of expenditure (annual)
2. Number of procurement activities planned for the year
3. Type of procurements (complex, simple)
4. Procurement Organisation Structure & Reporting Lines
5. Size of procurement unit
6. Qualifications and experience of procurement staff
7. Role and function of ‘Named’ Procurement Officer
8. Organisation culture (Silo thinking or team work)
9. Use of technology and templates



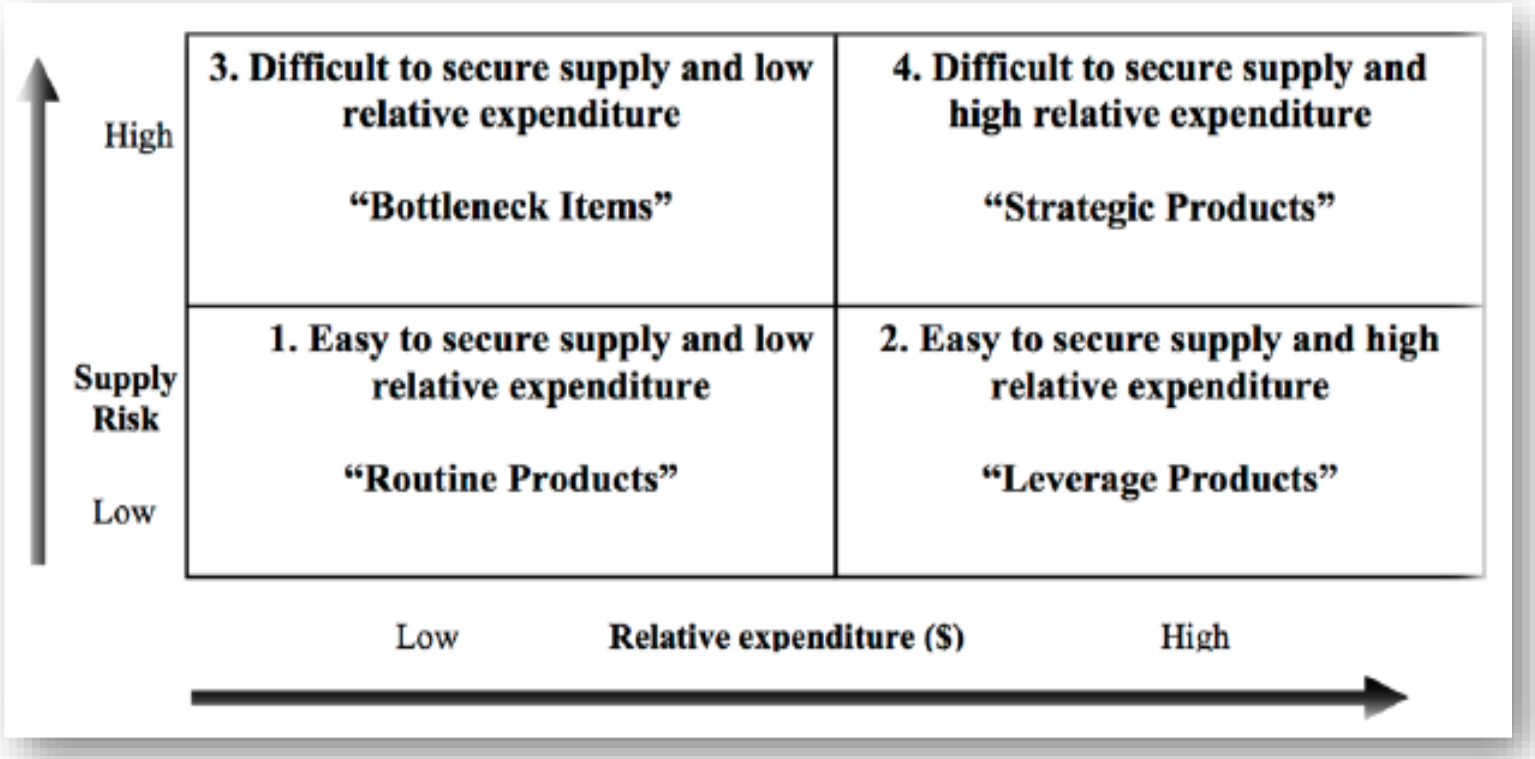




Efficiency

Effectiveness

3. Analyse Strategic Procurement Objectives



Efficiency

Effectiveness

Value for money

Consider these

1. Continuity of supply
2. Just-in-time deliveries
3. Local industry development
4. Sustainable procurement
5. Sustainable development
6. Availability of supply
7. Reduce administrative efforts
8. Minimise transaction costs
9. Capitalise on economies of scale
10. Achieve best value for money over time

4. Develop and Implement Procurement Strategy

Consider these

1. Procurement System
   1. Centralised, decentralised, hybrid
2. Procurement Methods and Procedures
   1. Open vs Selective Tendering
   2. Single or Sole Source
   3. Invitation to Tender
   4. Request for Proposal
   5. Evaluation method and criteria
3. Contract Management Strategies
   1. Purchase Order
   2. Framework Agreement
   3. Service Level Agreement
   4. Lump-sum/fixed price
   5. Unit Price
4. Scheduling of Procurement Activities
5. Procure according to plan
6. Monitoring, management and control of procurement activities.

Efficiency

Effectiveness

Local Industry Development

Sustainable Development

Sustainable Procurement

5. Measure Results

Objectives of Measuring Results

Consider these

1. To compare **actual** performance against **plan**.
2. To determine whether the procurement objectives were achieved, and as a result the Public Body's strategic objectives were achieved.
3. To measure which objectives were achieved, which were not achieved, and to determine the corrective measures to be included in the subsequent Annual Procurement Plan.
4. To identify lessons learned.

Transparency

Accountability

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The Annual Procurement Performance Report

Contents of the APPR

- *Successes and challenges in procurement performance during the period*
- *Performance of Public Bodies (macro) level measures and of Contract Management (micro) measures.*
- *Links performance results to the Public Bodies' programmatic/business objectives and strategy. Draws conclusions about overall procurement performance during the period.*
- *Identifies and provides a rationale for aspects of performance that will be targeted for improvement in the ensuing period based on the results in the past period.*

Transparency

Accountability

Analysing Procurement Performance

- Section 6.2 Indicators (non-exhaustive listing of 25) for Monitoring and Controlling Public Procurement by the Public Body
- Examples of measurements

E.g. 1

7.1.1 Procurement Cycle (Duration)

Average time span between the acceptance by the Procurement Department of the approved Purchase Requisition from the Requisitioning Department, and the award of contract (this information enables conclusions to be drawn on the **efficiency** of the system of procurement).

FORMULA	TARGET
$\frac{\text{Actual time spent}}{\text{Time Schedule as planned}} \times 100$	Less (<) or Equals (=) to 100%

Transparency

Accountability

Analysing Procurement Performance

E.g. 2

7.1.1 Rejected Bids

Number of bids rejected in procurement processes (good indicator of capacity of the contractors and suppliers in relation to their responsiveness to the solicitation documents) – bids rejected are not considered for an award of contract, and therefore the pool from which the public body may choose is reduced).

FORMULA	TARGET
$\frac{\text{Number of bids rejected}}{\text{Total number of bids}} \times 100$	Less than (<) or Equals (=) to 70%

For each item with a result greater than 70%, competitiveness and value for money are diminished.

Transparency

Accountability

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Developing the Annual Schedule of Planned Procurement Activities

What is the UNSPS Code?

- United Nations Standard Products and Services Code
- Jointly developed by the United Nations Development Programme and Dun & Bradstreet Corporation in 1998
- Is an open, global, multi-sector standard for efficient, accurate classification of products and services

Transparency

Accountability

Applying the UNSPS Code

- Categorised as a four (4)- level hierarchical structure:
    1. Segment
    2. Family
    3. Class
    4. Commodity

- Each level gives a two (2) digit code, which will give a complete code of eight (8) digits

Transparency

Accountability

Applying the UNSPS Code (Cont'd)

Segment **43**000000 *Information Technology Broadcasting and Telecommunications*

Family 43**21**0000 *Computer Equipment and Accessories*

Class 4321**15**00 *Computers*

Commodity 432115**07** *Desktop computers*

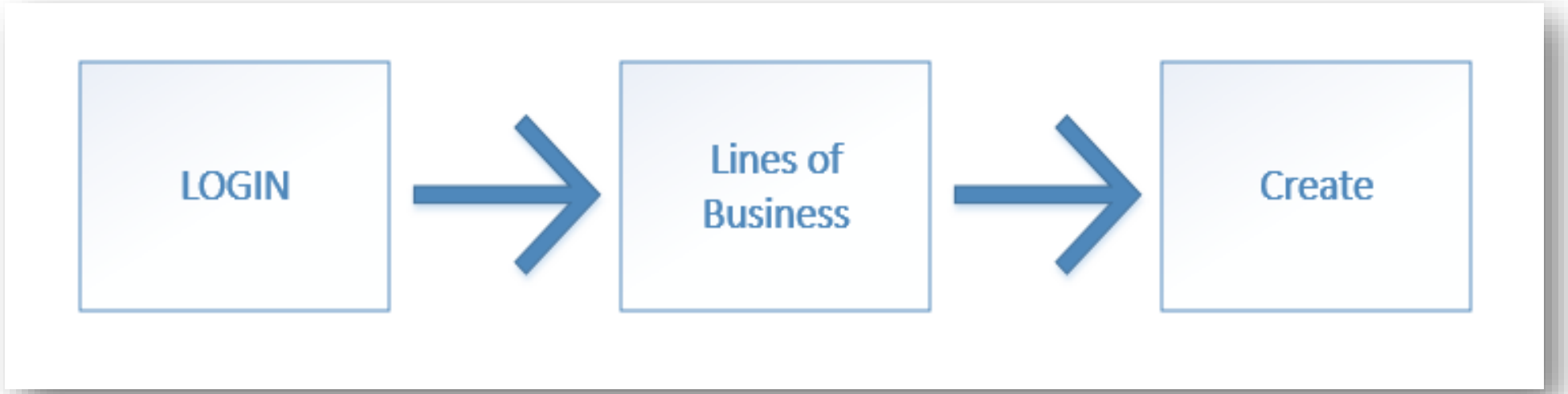
43211507 = *Desktop computers*

Transparency

Accountability

How to Locate the UNSPS Codes?

Procurement Depository



Transparency

Accountability

How to Locate the UNSPS Codes? (Cont'd)

UNSPSC Website

- https://www.unspsc.org/

Full code listing available as follows:

- PDF format – Free
- Excel Format – USD 250
- Use their online search tool

Transparency

Accountability

ASPPA – Forthcoming Procurements

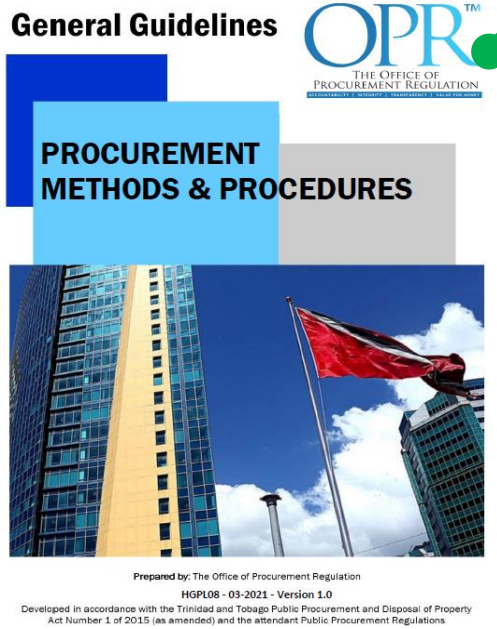
No.	Project Number	Project Name	UNSPSC Code Level 3	Brief Description	Proposed date for Issue of Bidding Documents	Expected Delivery/ Completion Date	Estimated Project Duration (for works and services)	Procurement Method	Standstill period (if applicable) – No. of days	Contract Type
1	RFP# 003/2021-2022	Supply and Delivery of Computer Equipment	43211500	Supply and Delivery of 80 Laptops and Desktops	Nov-21	Sep-22	N/A	Open Bidding	10	Fixed price contract

Transparency

Accountability

Public Confidence

UNSPS CODE



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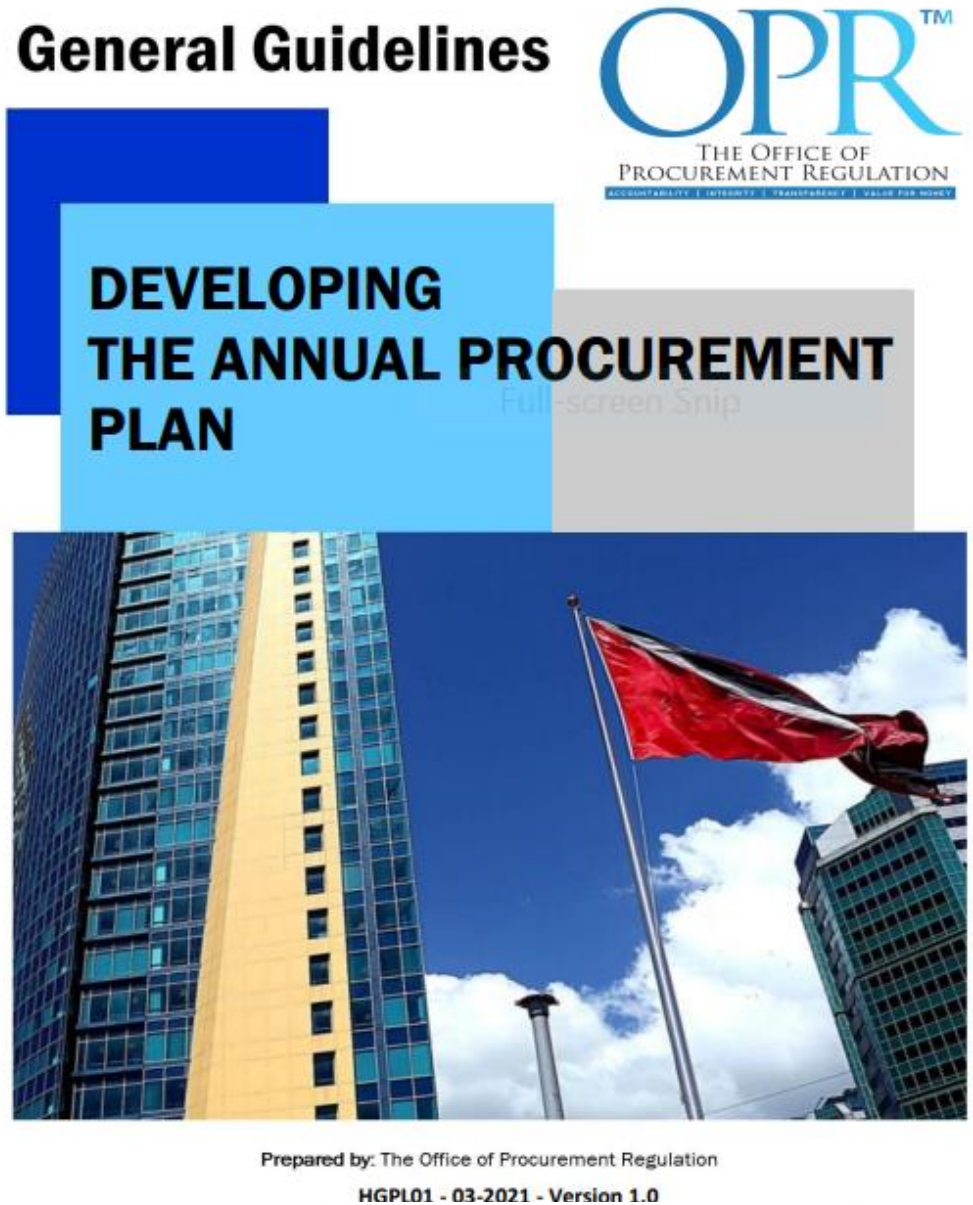
Writing the Annual Procurement Plan

Writing the Annual Procurement Plan

BACKGROUND



1. Review Mandate and Strategy (1)

Consider these

1. Organisation name
2. Establishment (How, when, location, size, structure)
3. Mandate (Why was it established, who does it serve?)
4. Strategy (How does it provide its services; Strategic Objectives? Business Plan? Procurement needs?)
5. Your organisation's procurement function
   - Structure and reporting lines, number of staff, procurement qualifications and experience, internal controls

Writing the Annual Procurement Plan

1.0 INTRODUCTION

1.0 Introduction (1)

a) Programmatic goals and objectives and how the procurement effort supports their achievement

Consider these

1. Identify your programmatic goals and objectives for the upcoming FY(s)
2. Identify directly linked procurement activities
3. Identify indirectly linked procurement activities
4. Completed and incomplete procurements from last FY

1.0 Introduction (2)

a) Programmatic goals and objectives and how the procurement effort supports their achievement

- **Direct linkages**

No	Strategic Objective	Procurement Project	FY 21/22	FY 22/23	FY 23/24
1.	1.	1.			
		2.			
		3.			

- **Indirectly linked Procurement Categories**
  - Stationary and supplies
  - Janitorial services and supplies

Transparency

Accountability

Local Industry Development

Sustainable Development

Sustainable Procurement

1.0 Introduction (2)

a) Programmatic goals and objectives and how the procurement effort supports their achievement

- Completed and incomplete procurements from last FY

No. of Planned (and Unplanned) Procurements	No of Contracts Awarded	Value of Contracts Awarded	No. of Purchase Orders Issued	Value of Purchase Orders Issued	Total No. of Transactions initiated*	No. of incomplete procurements (Not started & Work in Progress)
* Total number of transactions initiated = Number of rounds of procurements + POs issued without tendering.						

Transparency

Accountability

1.0 Introduction (3)

b) Main focus of the Plan for the Upcoming FY vs the Last FY

- Brief narrative of last Fiscal's performance
- Brief narrative of plans for upcoming FY

Transparency

Accountability

Consider these

- Summary of procurements started, completed, work in progress, linked to achievement of programmatic goals and objectives
- Continuing and new procurement projects identified for upcoming FY
- Brief narrative of plans for upcoming FY
- Specific plans to improve procurement performance in new FY
  - Planning, monitoring & control, resourcing, capacity development, technology

1.0 Introduction (4)

c) Procurement related risks and opportunities faced in the forthcoming period

Consider these

Risks

- External
  - Legislative
  - Environmental
  - Supply Market
- Internal
  - Governance
  - Operational
  - Procurement Capacity
  - Contract/project management

Opportunities

- External
  - Legislative
  - Environmental
  - Supply Market
- Internal
  - Funding
  - Operational
  - Procurement Capacity
  - Contract/project management

Efficiency

Local Industry Development

Sustainable Procurement

Sustainable Development

1.0 Introduction (5)

d) General explanation of how the plan addresses both a.(i) general practice improvements, a.(ii) specific support for the achievement of programmatic/business goals and objectives, and b. the specific alignment of objectives, organisation, systems, policies, procedures and capabilities with the risks and opportunities inherent in each segment of the entity's procurement portfolio.

Consider these

1. Breaking the section up into three distinct headings
2. a. (i) general practice improvements

   - Brief statement

   a. (ii) specific support…

   - (planning, cross-functional teams led by 'N'PO)

   b. Specific alignment …

   - "specific alignment as illustrated in the treatments detailed in Tables 1-4 (Section 3.3.2)"

2.0 Current Status of Entity Procurement Management (1)

2.1 Background

- *Analysis of the entity's programmatic/business goals and objectives and the procurement related challenges that these pose*

Consider these

1. Review the programmatic/business goals and objectives for the fiscal.
2. Consider how the achievement of these may be affected by procurement related challenges.
   a. Procurement cycle delays (planning, tendering, evaluation and award, contract management)
   b. Market conditions (number of suppliers, availability/scarcity of supply, delays in the supply chain)
   c. Payment delays

2.0 Current Status of Entity Procurement Management (2)

2.1 Background

- *Procurement related challenges*

1. Consider the procurement related challenges that may be encountered at each stage of the procurement cycle

Consider these

   a. Planning (*market research, development of specifications, terms of reference*)

   b. Tendering (*no. of procurements in relation to no. of procurement staff; capability of procurement staff, procurement strategy*)

   c. Evaluation and award (*evaluation committee, approval process*)

   d. Contract Management to closeout (*staffing, project management, supplier relationship management*)

2.0 Current Status of Entity Procurement Management (3)

2.1 Background

- *Analysis of the public body's procurement portfolio*

Consider these

1. Total number of projects
2. Number of projects in each of the four quadrants (*routine, leverage, bottleneck, strategic*)

2.0 Current Status of Entity Procurement Management (4)

2.1 Background

- *Analysis of key issues in prior year performance*

Consider these

a. Planning (*delays, poor documentation, rework; unplanned/'urgent' procurements*)

b. Tendering (*no bidders/few bidders*)

c. Evaluation and award (*long process, poor documentation, non-compliant bids, failed negotiation*)

d. Contract Management to closeout (*poor quality delivery; weak supplier relationship management; payment issues, delays in implementation*)

2.0 Current Status of Entity Procurement Management (5)

2.1 Background

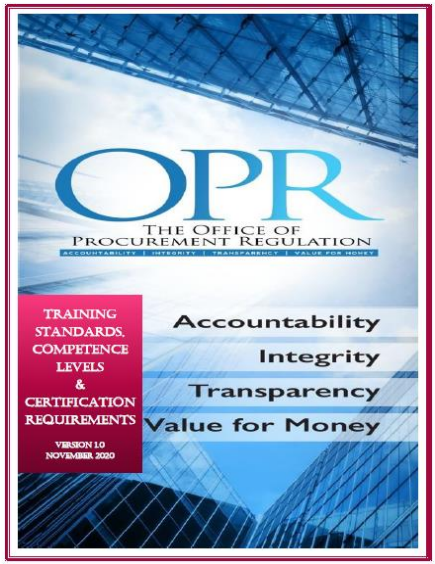
- *Analysis of the procurement function and associated capacity assessment*

Consider these

a. Organisation and Individual Capacity (*Basic, Intermediate, Advanced*)

b. Procurement Capacity Enablers
   a. *Procurement leadership and governance*
   b. *People*
   c. *Significant procurement planning*
   d. *Managing supply*
   e. *Performance Management*

c. Staffing levels



2.0 Current Status of Entity Procurement Management (6)

2.2 Progress

- *Provides an overview of progress made during the last period in improving procurement performance*

Consider these

a. Structure and reporting lines

b. Staffing levels (*recruitment*)

c. Key performance indicators (e.g. *cycle time for procurement as a whole / evaluation and award*)

d. Efficiencies (*contract management strategies*)

2.0 Current Status of Entity Procurement Management (7)

2.2 Progress

- *Highlights how learnings during the previous period will impact on planned progress to be made in the ensuing period(s)*

Consider these

a. Consider lessons learned

b. How these lessons can be incorporated into future plan(s) to achieve improvement in procurement performance

2.0 Current Status of Entity Procurement Management (8)

2.3 Issues arising from prior year performance

- *Explains the results of baseline measurement, or of prior period performance measurement, and how these will inform future procurement management strategy*

Consider these

a. Planned vs Actual performance

b. How procurement management strategy will differ in the next planning period

3.0 Purpose and Nature of the Annual Procurement Plan (1)

Summary statement of the purpose and nature of the Annual Procurement Plan for the upcoming Fiscal period.

Consider these

- Portfolio analysis
- Procurement strategy development
- Contract management strategies
- Treatment of high-risk / high-value procurements
- Treatment of low-risk / low-value procurements
- Capacity building
- Monitoring and measuring performance

Techniques to improve procurement performance

3.0 Purpose and Nature of the Annual Procurement Plan (2)

3.1 General Strategy for improvement of procurement capacity

Procurement Enabler	Baseline period observed practices	Planned improvements for most recent period/Results for most recent period	Forthcoming year planned
Procurement leadership and governance	Policies and procedures (***Basic capacity***)	Adoption of handbooks and guidelines in accordance with PP&DPPA (***Advanced capacity***)	Annual Procurement Plan and Annual Procurement Performance Report (***Advanced capacity***)
People	No 'N'PO (***Basic capacity***)	Appointment of 'N'PO (***Advanced capacity***)	Recruitment of dedicated procurement staff (***Advanced capacity***)
Significant procurement planning	Ad hoc, 'urgent' procurements (***Basic capacity***)	Introduction of annual procurement planning for the public body's entire procurement portfolio (***Intermediate Capacity***)	Enterprise-wide team involvement in the development of the APP (***Advanced capacity***)
Managing supply			
Performance management			

3.0 Purpose and Nature of the Annual Procurement Plan (3)

3.2 Enhancing programme/business effectiveness through better procurement management

Consider these

1. Describe how the procurements will be managed to ensure that programme/business effectiveness would be enhanced.
2. Be specific, identifying the specific goals/objectives and linking to the management of the specific procurement(s).

3.0 Purpose and Nature of the Annual Procurement Plan (4)

3.3 Strategy to manage the procurement portfolio

Describe how the procurement portfolio will be managed making reference to specific categories or procurement activities

Consider these

1. Develop the entire portfolio listing
2. Analyse the data
3. Determine strategies for each category of procurement
4. Determine strategies for contract management
5. Centralised, decentralised or hybrid
6. Staff assignments
7. Technology
8. Treatment of ad hoc / ‘urgent’ procurements

3.0 Purpose and Nature of the Annual Procurement Plan (5)

3.3.1 Managing risk and opportunity in procurement: a portfolio management approach

Consider these

Describe how the risks and opportunities identified in Section 1 (c) will be managed, utilising the portfolio management approach, specific to the items placed in each of the four quadrants.

1. Refer to the analytical tools
2. Refer to specific procurement items / categories in each quadrant.

3.0 Purpose and Nature of the Annual Procurement Plan (6)

3.3.2 Public Body's procurement portfolio

Distribution by Quadrant – 2021/2022 (estimated) – Year 1

	Expenditure		Vendors		Purchase Orders		Transactions		Categories	
Routine	20.27	%	65.00	%	90.00	%	80.00	%	50.00	%
Leverage	58.25	%	15.00	%	2.00	%	6.66	%	25.00	%
Strategic	21.46	%	15.00	%	6.00	%	6.67	%	12.50	%
Bottleneck	0.02	%	5.00	%	2.00	%	6.67	%	12.50	%
Total	100	%	100	%	100	%	100	%	100	%

3.0 Purpose and Nature of the Annual Procurement Plan (7)

3.3.2 Public Body's procurement portfolio

Distribution by Quadrant – Comparison of previous and planned year

	Expenditure		Vendors		Purchase Orders		Transactions		Categories	
	FY 20/21	FY 21/22	FY 20/21	FY 21/22	FY 20/21	FY 21/22	FY 20/21	FY 21/22	FY 20/21	FY 21/22
Routine	17.78 %	20.27 %	55.56%	65.00%	85.37%	90.00%	83.33%	80.00%	50.00 %	50.00%
Leverage	63.15 %	58.25 %	22.21%	15.00%	4.88%	2.00%	5.56%	6.66%	25.00 %	25.00 %
Strategic	19.05 %	21.46 %	16.67%	15.00%	7.32%	6.00%	8.33%	6.67%	12.50 %	12.50 %
Bottleneck	0.03 %	0.02 %	5.56%	5.00%	2.43%	2.00%	2.78%	6.67%	12.50 %	12.50 %
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Treatment of Procurement Categories

Routine / Leverage / Bottleneck / Strategic

Objective: Minimise the amount of time and effort in processing transactions. (PO, invoices etc.)

Strategy: Efficient transaction processing by setting up a framework agreement with suppliers.

Organisation: Decentralised – Allow Admin staff to process PO and invoices.

Systems: Adopt a payment tool (software – ACH) to make the process more transactional.

Policies and Procedures: Transferring decision-making power to lower level Administrative staff so that they can make decision at the point of need.

Skills: Training staff in the use of the ACH software so that it would allow the system to become more transactional.

Performance Monitoring and Management: Implement the use of KPIs as a baseline measurement to track improvement (Procurement Cycle or Quality).

Treatment of Procurement Categories

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Routine Items

- Proprietary software
- Vehicle maintenance
- Stationary items
- Grocery items
- Janitorial supplies

Executive Summary

½ to 1 page summary highlighting the key elements of the Plan:

- Public bodies programmatic goals and objectives for the FY
- Prior year's performance against plan
- (information drawn from analysis)
- Planned procurement activities for upcoming FY
- Planned improvement initiatives for the upcoming FY
- Planned procurement objectives

Final Word

ASPPA – Forthcoming Procurements

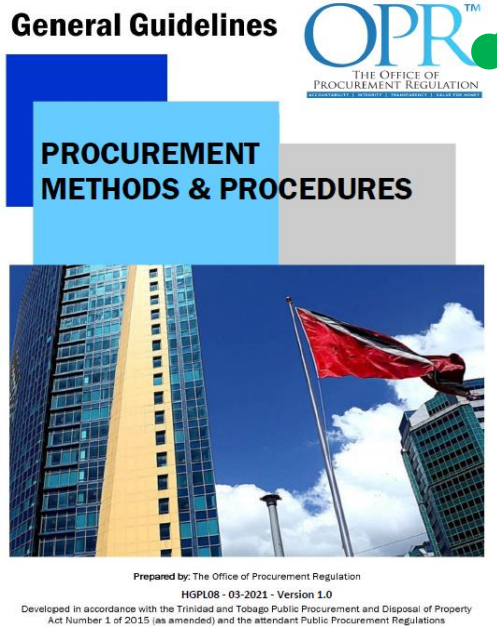
No.	Project Number	Project Name	UNSPSC Code Level 3	Brief Description	Proposed date for Issue of Bidding Documents	Expected Delivery/ Completion Date	Estimated Project Duration (for works and services)	Procurement Method	Standstill period (if applicable) – No. of days	Contract Type
1	RFP# 003/2021-2022	Supply and Delivery of Computer Equipment	43211500	Supply and Delivery of 80 Laptops and Desktops	Nov-21	Sep-22	N/A	Open Bidding	10	Fixed price contract

Transparency

Accountability

Public Confidence

UNSPS CODE



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Question
&
Answer Segment

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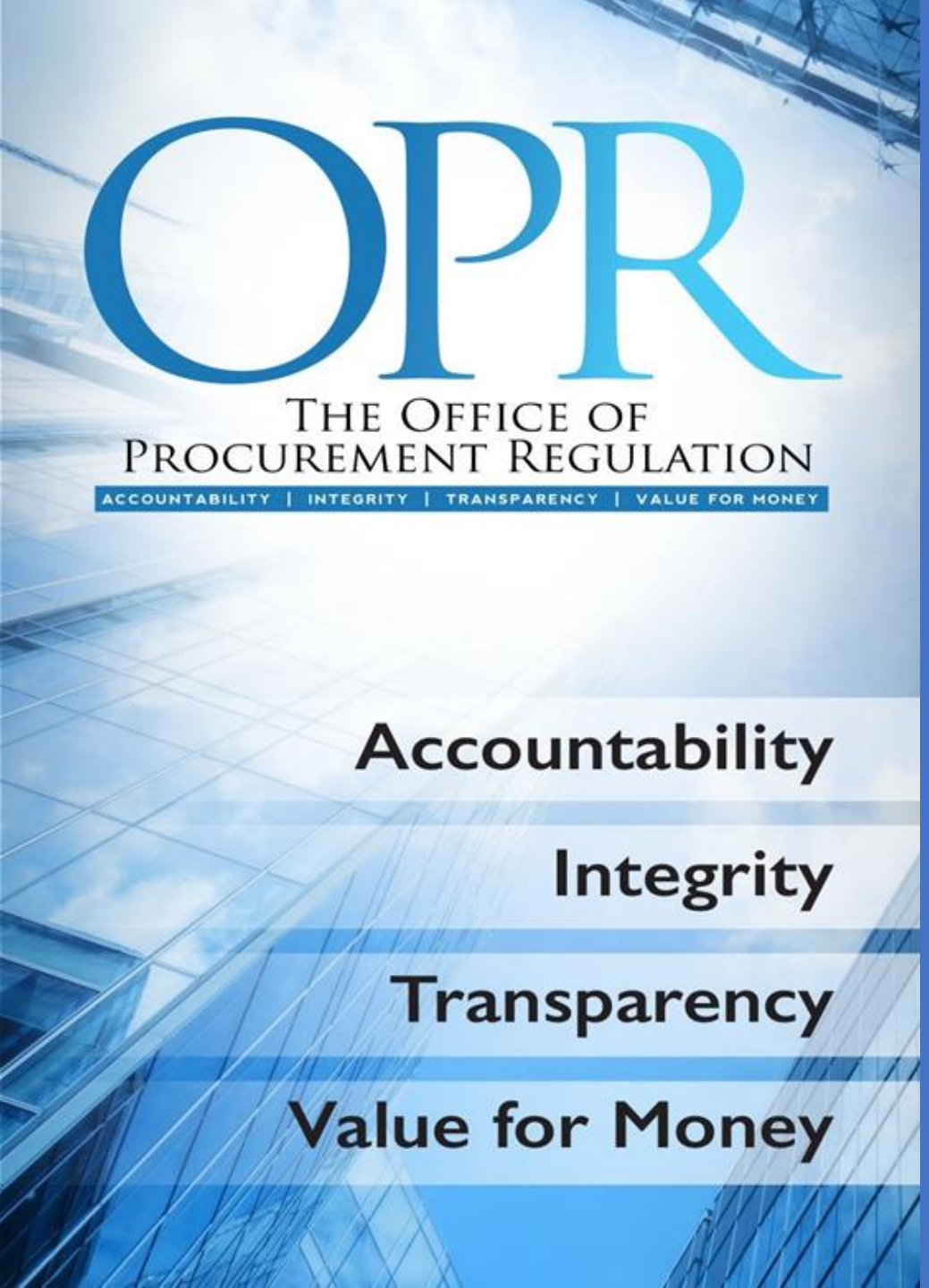
Closing Remarks



Thank you for your kind attention!

Level 19, Tower D, Port of Spain
International Waterfront Centre,
1A Wrightson Road, Port of Spain
Tel: 1 868 627 4677 or 1 868 226 4677
Website: www.oprtt.org