

Introduction to Procurement and Contract Management

Introduction to Procurement and Contract Management
Key concepts, processes, and best practices for effective acquisition and agreement administration.

1. What Is Procurement?

Aspect	Description
Definition	The systematic process of acquiring goods, services, or works from external sources to meet organizational needs.
Goal	Obtain the right product/service, at the right time, at the right price, and with the right quality.
Scope	Includes market research, supplier selection, purchasing, logistics, and performance monitoring.
Types	- Direct procurement (materials for production) - Indirect procurement (office supplies, IT services) - Services procurement (consulting, maintenance)

2. Procurement Cycle – Step by Step

1. Identify Need

- Business unit submits a requisition.
- Define specifications, quantity, and required delivery date.

2. Conduct Market Research

- Analyze market trends, price benchmarks, and potential suppliers.
- Use tools: e-procurement portals, industry reports, supplier databases.

3. Develop Procurement Strategy

- Decide on sourcing method (single source, competitive bidding, e-auction, etc.).
- Determine evaluation criteria (price, quality, sustainability, risk).

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4. Prepare Tender Documents

Management

- Request for Information (RFI) ? Request for Proposal (RFP) ? Request for Quotation (RFQ).
- Include scope, technical specs, terms & conditions, evaluation matrix.

5. Solicit and Receive Bids

- Publish tender, manage Q&A, receive proposals within deadline.
- Ensure confidentiality and fairness.

6. Evaluate Offers

- Score proposals against pre-defined criteria.
- Conduct supplier presentations, site visits, or pilot tests if needed.

7. Award Contract

- Select the best-valued supplier.
- Issue award notice and negotiate final terms.

8. Contract Execution & Management

- Sign the contract, issue purchase order (PO).
- Monitor delivery, quality, milestones, and payments.

9. Performance Review & Closure

- Assess supplier performance (KPIs, scorecards).
- Close out contract, capture lessons learned, archive records.

3. Core Elements of Contract Management

Element	Purpose	Typical Activities
Contract Creation	Capture agreed terms in a legally binding document.	Drafting, reviewing legal clauses, stakeholder sign-off.
Obligation Tracking	Ensure all parties meet their responsibilities.	Milestone calendars, deliverable checklists, automated alerts.

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Element	Purpose	Typical Activities
Change Management	Handle contractual issues without disrupting the agreement.	Change request forms, impact analysis, amendment signing.
Risk Management	Identify and mitigate potential issues.	Risk registers, contingency plans, insurance requirements.
Performance Measurement	Verify value delivery and compliance.	KPI dashboards, service level agreement (SLA) monitoring, audits.
Payment & Financial Control	Align invoicing with contract terms.	Invoice verification, milestone payments, holdbacks.
Dispute Resolution	Resolve conflicts efficiently.	Escalation matrix, mediation clauses, arbitration procedures.
Contract Renewal/Termination	Decide on continuation or exit.	Renewal notices, termination checklists, asset handover.

4. Key Procurement Principles

1. **Transparency** – Open processes, clear criteria, documented decisions.
2. **