

Building trust

A platform for best practice construction procurement

by Ron Watermeyer

What is a system? It is an established way of doing things that provides order and a platform for the methodical planning of a way of proceeding. In procurement, the ISO 10845 series of international construction procurement standards leads to an optimal degree of order in the system, and generates global confidence in the whole procurement process which results in the delivery of goods and services.

Processes, milestones and governance

Procurement is the process which creates, manages and fulfils contracts. Procurement commences once a need for goods, services, engineering and construction works or disposal has been identified and it ends when the goods are received, the services or engineering and construction works are completed or the asset is disposed of.

There are six basic activities associated with procurement processes (see **Figure 1**).

Procurement processes and procedures need to be managed and controlled. Accordingly, governance activities should be linked to the milestones in the procurement process (see **Figure 2**). At the same time, policies are required to govern the usage and application of certain procurement procedures, requirements for recording, reporting and risk management, and procedures for dealing with specific procurement related issues, etc.

Universal procurement system objectives

The starting point in the development of any procurement system is to determine the system objectives. These typically relate to good governance (primary objectives) and, particularly in developing countries, to the use of procurement to promote social and national agendas (secondary or non-commercial objectives). Procurement

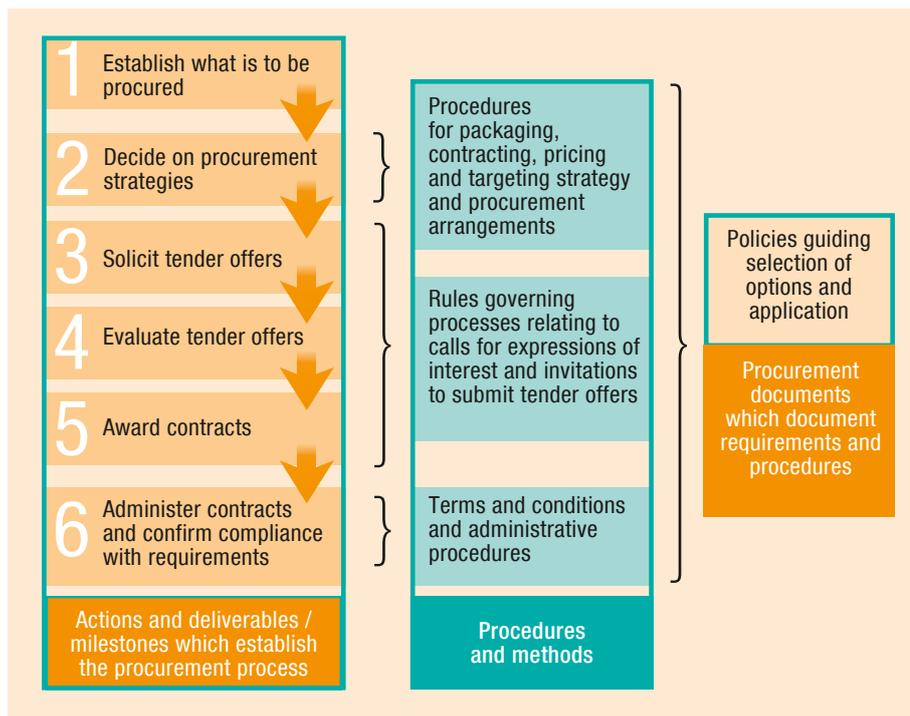


Figure 1: Components of a procurement system.

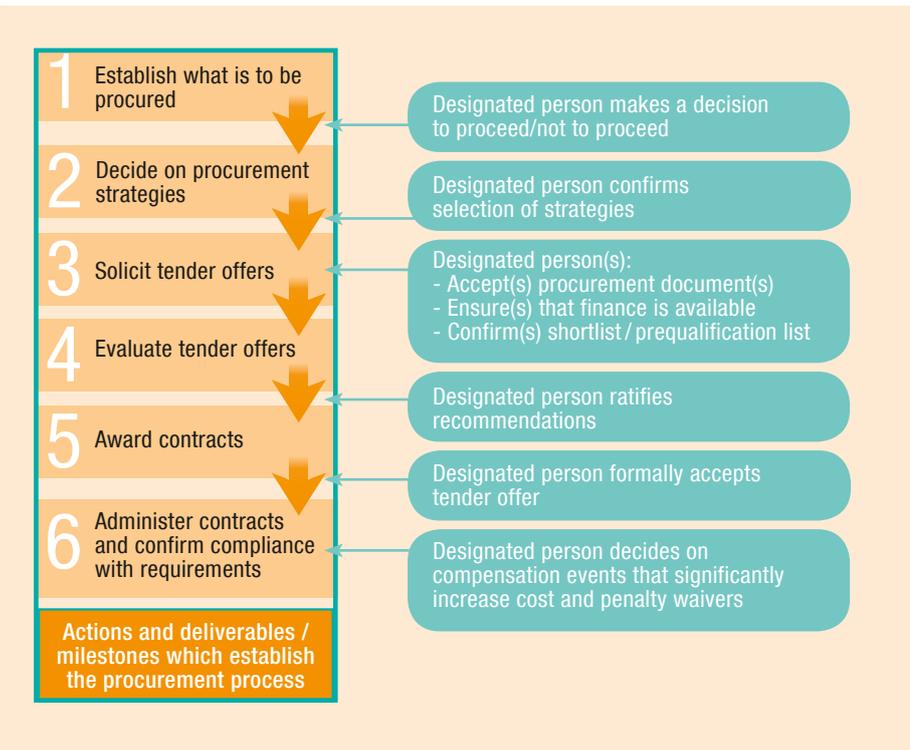


Figure 2: Typical governance activities.

systems are increasingly being challenged to address sustainable development objectives in order to reduce negative impacts on the environment and contribute to the alleviation of poverty. Figure 3 illustrates an approach to standardizing a procurement system.

ISO 10845 has been developed around the following universally accepted primary and secondary procurement system objectives, expressed in qualitative terms as follows:

- **Fair:** the process of offer and acceptance is conducted impartially without bias, and provides participating parties simultaneous and timely access to the same information
- **Equitable:** the only grounds for not awarding a contract to a tenderer who complies with all requirements are restrictions from doing business with the organization, lack of capability or capacity, legal impediments and conflicts of interest
- **Transparent:** the procurement process and criteria upon which decisions are to be made shall be publicized and made publicly available with reasons for those decisions, and with the possibility of verifying that criteria were applied
- **Competitive:** the system provides for appropriate levels of competition to ensure cost-effective and best value outcomes
- **Cost-effective:** the processes, procedures and methods are standardized

with sufficient flexibility to attain best value outcomes in respect of quality, timing and price, and the least resources to effectively manage and control procurement processes

- **Promotion of other objectives:** the system may incorporate measures to promote objectives associated with a secondary procurement policy subject to qualified tenderers not being excluded and deliverables or evaluation criteria being measurable, quantifiable and monitored for compliance.

Implementing standard processes, methods and procedures

ISO 10845-1:2010, *Construction procurement – Part 1: Processes, methods and procedures*, is one of a family of procurement standards designed to establish a framework for best practice procurement, and raise confidence in such systems worldwide.

It is based on these qualitative requirements and establishes rules for the application of a wide range of methods and procedures (quantitative requirements) that are used in soliciting tenders and awarding contracts. It also provides guidance on establishing and managing procurement processes (evaluation of system performance), an approach for obtaining best value procurement outcomes, and includes targeted procurement procedures (i.e. the process used to create a demand for the services or goods, or to secure the participation, of targeted enterprises and targeted labour in contracts in response to the objectives of a secondary procurement policy).

ISO 10845 establishes a framework for best practice procurement.

This International Standard recognizes that the manner in which an organization manages its procurement processes cannot be standardized and may be subject to prevailing legislation (e.g. its control and approval structures and the selection of a certain procedure

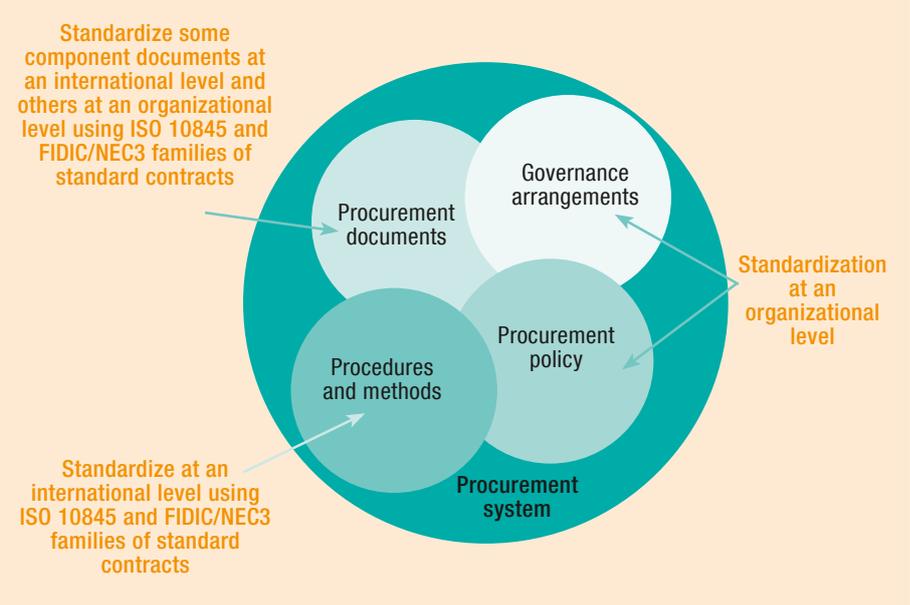


Figure 3: Approach to standardizing a procurement system.

in a given circumstance). It establishes the framework within which a procuring entity needs to develop its procurement policy in order to implement standardized processes, procedure and methods.

ISO 10845-4:2011, *Construction procurement – Part 4: Standard conditions for the calling for expressions of interest*, establishes what is required for a respondent to submit a compliant submission, makes the evaluation criteria known to respondents, and establishes the manner in which the procuring entity conducts the process of calling for expressions of interest.

ISO 10845-3:2011, *Construction procurement – Part 3: Standard conditions of tender*, establishes what a tenderer is required to do to submit a compliant tender, makes the evaluation criteria known to tenderers, establishes the manner in which the employer conducts the process of offer and acceptance, and provides the necessary feedback to tenderers on the outcomes of the process.

Systems can be standardized to achieve an optimum degree of order.

The various parts of ISO 10845 can be readily incorporated into procurement systems by reference in policy or in legislation.

ISO 10845-1 also describes a number of techniques and mechanisms associated with targeted procurement procedures, all of which are designed to promote the participation of targeted enterprises and targeted labour in contracts.

Key performance indicators (KPIs) relating to the engagement of enterprises, joint venture partners, local resources and local labour in contracts are needed in order to implement many of these procedures. Parts 5 to 8 of ISO 10845 establish KPIs to measure the outcomes of a contract in relation to the engagement of target groups, and to establish a target level or performance for a contractor to achieve or exceed in the performance of a contract.



Standard forms of contract

Standard forms of contract (i.e. a contract between two parties with standard terms that do not allow for negotiation) can be drafted around the primary procurement objectives upon which ISO 10845 is based. Such contracts can also be drafted around significantly different objectives and principles e.g. master-servant relationships or collaboration between two experts, risk sharing or risk transfer, independent or integrated design, short-term relationships based on one-sided gain or long-term relationships focused on maximizing efficiency and shared value, etc.

The International Federation of Consulting Engineers (FIDIC) and the Institution of Civil Engineers (NEC3) provide families of standard forms of contract covering a range of procurement types, service responsibilities and contracting and pricing strategies that are drafted to cater for a wide spectrum of objectives and methods of managing risks. Such contracts form an integral part of the construction procurement system as they establish processes, procedures and methods for dealing with matters that may arise during the performance of the contract.

The art of communication

Procurement documents communicate a procuring entity's procedures and requirements up to the award of a contract, and establish the basis for the contract that is entered into with the successful tenderer. A uniform format for the compilation of procurement documents provides the platform for the standardization of the component documents, and improved communications between those engaged in the procurement process.

ISO 10845-2:2011, *Construction procurement – Part 2: Formatting and compilation of procurement documentation*, establishes a format for the compilation of calls for expressions of interest, tender and contract documents, and the general principles for

compiling procurement documents for supply, services, engineering and construction works contracts, at main and subcontract levels.

This standard is based on the principle that each subject within a procurement document can only be addressed once and in only one component document. It also enables ISO 10845-3 and ISO 10845-4 and standard international forms of contract to be readily referenced in procurement documents.

A solid platform

The ISO 10845 series of standards collectively provides a platform to achieve fair competition, to reduce the possibilities for abuse and to improve predictability in procurement outcomes. And, above all, the ISO series provides confidence in the procurement system and trade for the benefit of the entire construction industry. ■

About the author



Dr. Ron Watermeyer

is the Convenor of ISO technical committee ISO/TC 59, *Buildings and civil engineering works*, working group WG 2, *Construction procurement*, and was the Project

Leader for the development of the ISO 10845 series of International Standards. He is a Director of consulting engineers Soderlund and Schutte, based in Johannesburg, South Africa, and a trustee of the international charity, Engineers Against Poverty. In 2009, he was awarded the degree of a Doctor of Engineering from the University of the Witwatersrand and, in 2010, the Institution of Civil Engineer's International Medal for his contributions to the procurement and delivery of infrastructure.

