



**First Nations Infrastructure Institute**

**Institut des infrastructures des Premières Nations**

# **Managing project risks through Procurement**

25 February 2021



# Procurement – what is it?



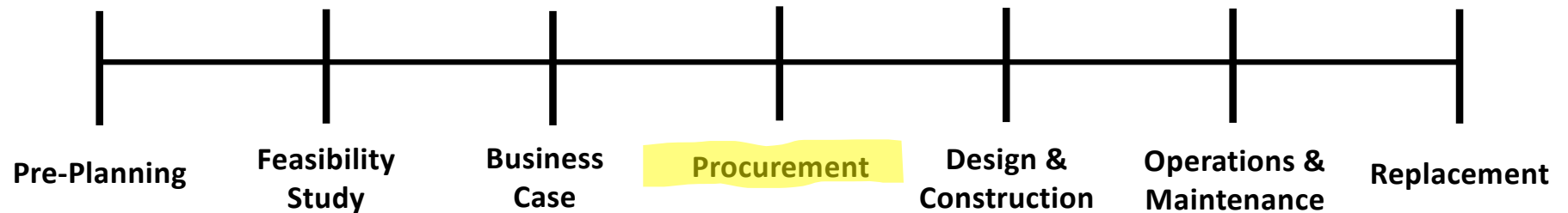
- Nations often have to reach outside of their organizations to hire others because of time limitations, experience / skills / equipment required, or a combination of these things
- The process of reaching outside is referred to as ‘procurement’
- There are many different processes for procurement – sometimes directly hiring without a competitive process, and sometimes using a competitive process (such as ‘Request for Proposals (RFP)’)
- There are also different ways of packaging services together – a good example is designing, building, and operating / maintaining infrastructure; these can be procured through separate processes or packaged together into one procurement

# Why is procurement important?



- Procurement is often associated with big, expensive infrastructure projects – expensive to build and ongoing costs to operate and maintain
- In addition to cost, these infrastructure projects are typically important to other community objectives – health (clean drinking water), safety (safe roads), education (good school building), etc.
- The timeframe to design and build the infrastructure can go smoothly, or be complicated by delays due to poor quality design, builder – designer friction, inexperienced building contractor, or various other circumstances
- If things go wrong, health, safety and other aspects of community life can be compromised
- All of these risks – financial, schedule and quality of product – can be managed through a good procurement process

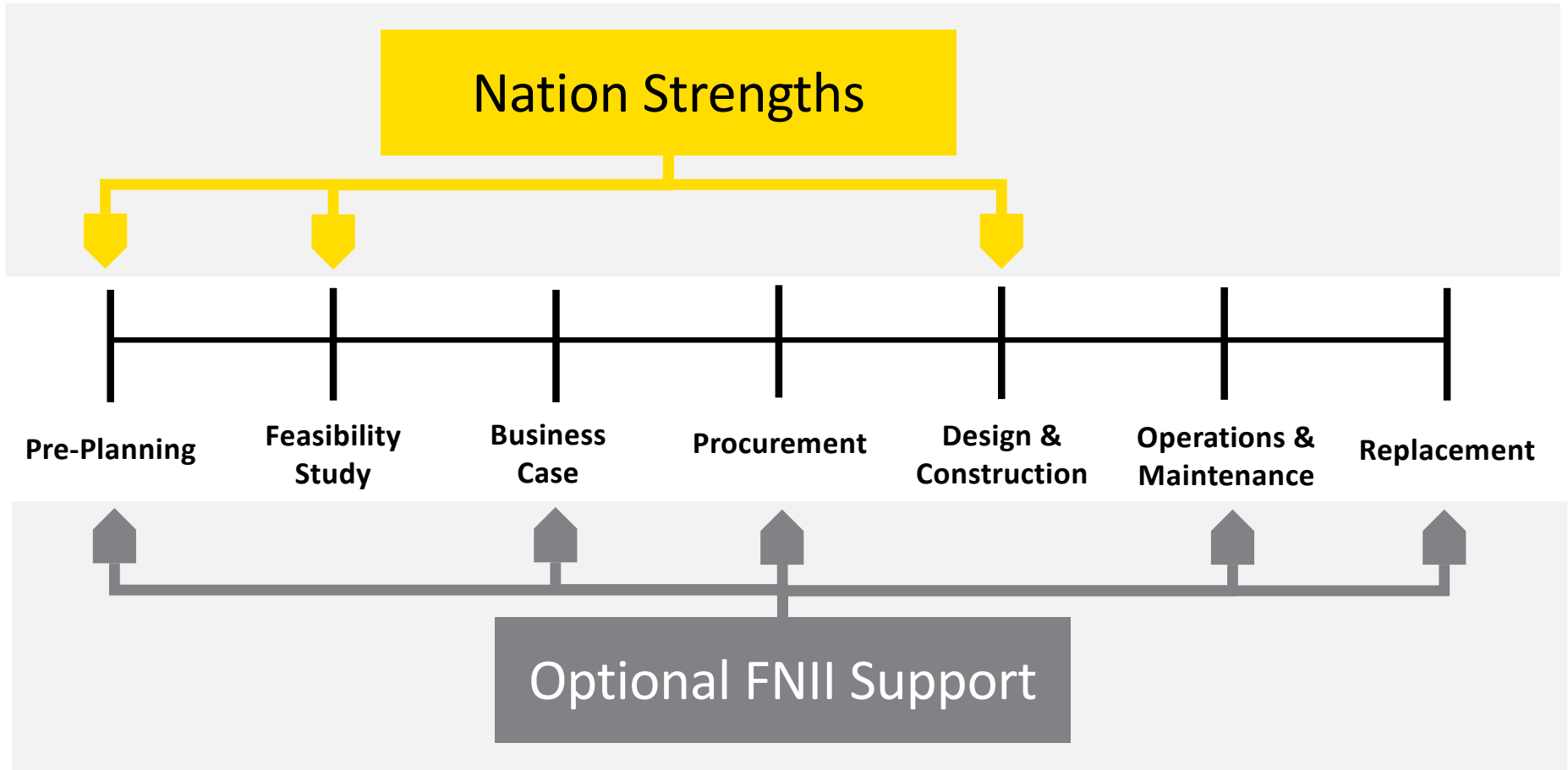
# Project lifecycle scenario



# Addressing the known gaps



\* FNII will meet a Nation and/or Indigenous Organization where it is at on a project.



# Let's talk Business Case



A Business Case is a one stop shop to describe a Project, allowing people to easily understand your rationale and process

## Business Case

Strategic

Economic

Commercial

Financial

Management

# Business Case - Ingredients



## Strategic Case

- Planning Documents
  - Strategic Plan
  - Historical Data
  - Unique Considerations
  - Other?
- Document problems that currently exist
  - Document the strategic rationale with reference to problems, planning documents, etc.
  - Develop unique “Project Objectives” that can measure success over the life of the Project

## Economic Case

- Project Objectives
  - Feasibility Studies
  - Costs and revenues
  - Operating Model Options
- Description of potential Project options
  - Comparison and evaluation of potential Project options against Project Objective and other factors
  - High level cost and revenue analysis
  - Detailed description of preferred Project option

# Business Case - Ingredients



## Commercial Case

- Preferred Project
- Financial Modelling and Workshops
- An evaluation of procurement options
- A preferred procurement model for delivering the preferred Project option

## Financial Case

- Sources and Uses of Funding
- Detailed analysis of sources and uses of funding
- Key to match up amounts as well as timing

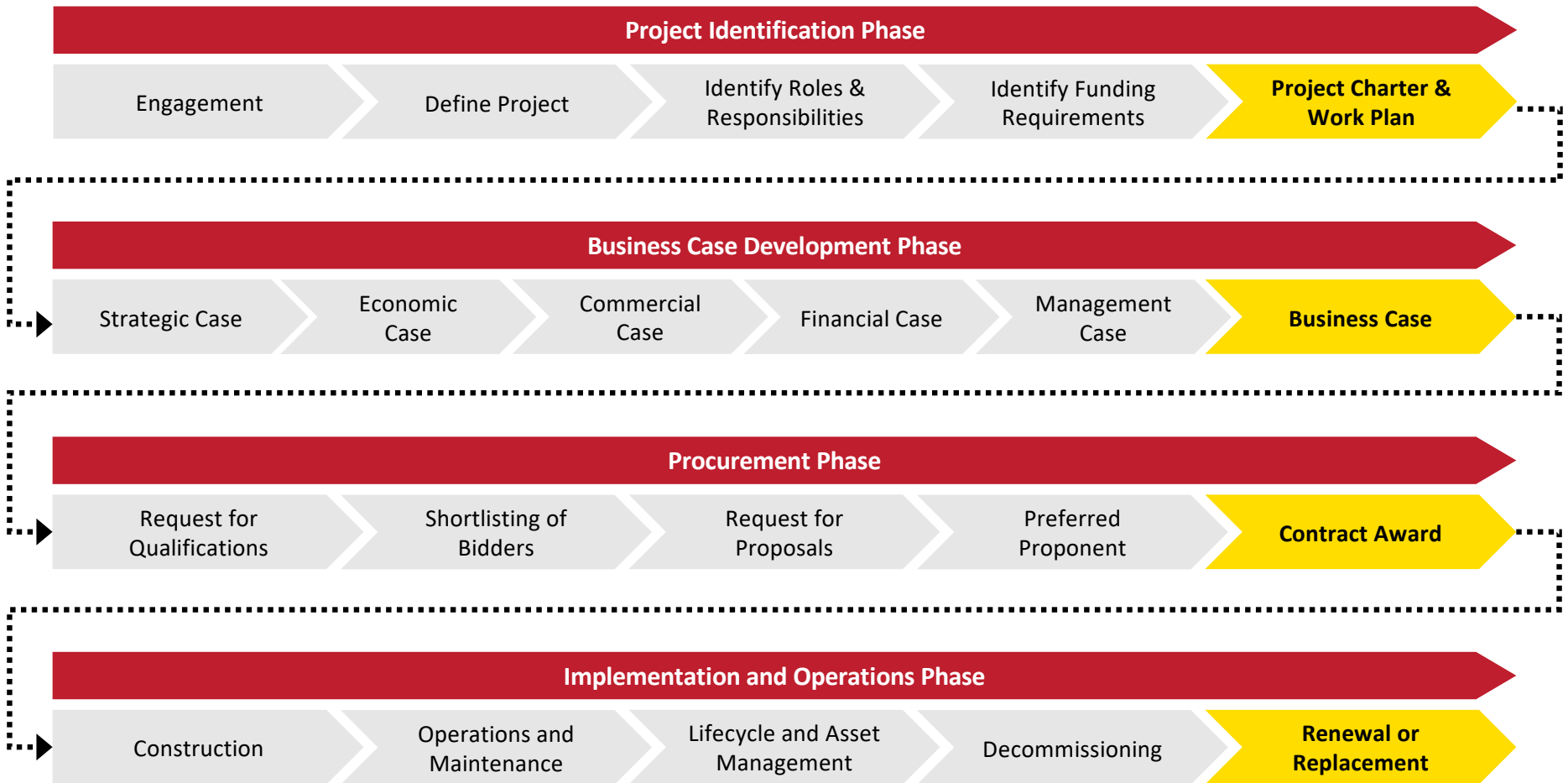
## Management Case

- Project Team
- Governance
- Timelines and processes for implementing the project
- Governance processes and procedures



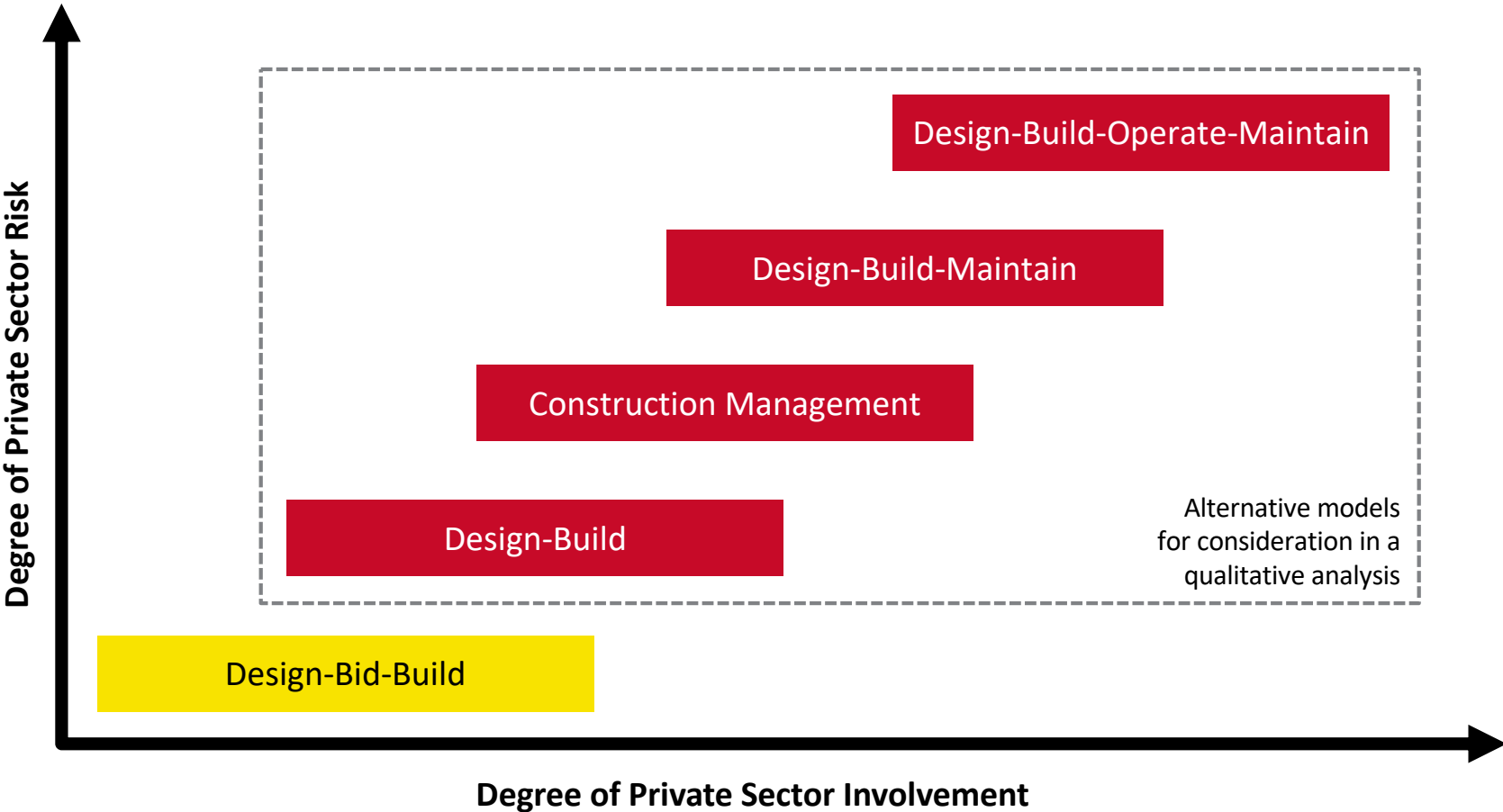


# FNII Process





# Overview of Procurement Models



# Procurement Objectives



Evaluation Criteria		Description
1	<b>Maximize Competition</b>	To what extent does each procurement model drive competition and market interest between proponents to maximize value through high innovation and quality, low price and through the size of a project
2	<b>Cost Certainty</b>	To what extent does each procurement model facilitate cost certainty from the perspective of the Owner following contract award, through minimizing cost over-runs in various stages of a project
3	<b>Flexibility to Change</b>	To what extent does each procurement model ensure transparency and facilitate an ability for the Owner to make scope or other changes during or at critical points in time for a project
4	<b>Risk Transfer</b>	To what extent does each procurement model facilitate effective allocation of risks between parties and transfers risks to the party that is best able to manage the risk, particularly those unique to the Owner or a project
5	<b>Contractor Incentive (Innovation and Efficiency)</b>	To what extent does each procurement model provide incentives for the for the private sector to introduce new ideas and approaches where there is likely to be significant additional value gained

# Working Together

