

Management of contracts and contract management

A presentation at the 1.0th Public Procurement
Performance Review Workshop
2015



Presentation Outline

- ▶ Introduction
- ▶ Procedures of formation of contract
- ▶ Role of stakeholders in the procurement cycle
- ▶ Contract Management Structure in Wakiso DLG.
- ▶ Key issues in Contract Management within Wakiso DLG.
- ▶ Challenges and Way Forward.

Objectives of the Session

These are to:

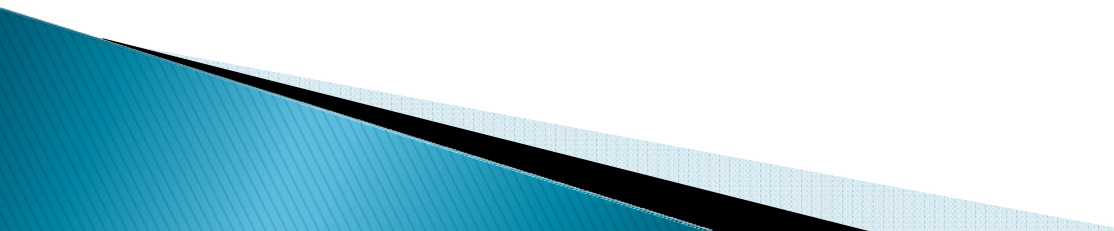
- ❑ Explain what formulates a contract
- ❑ The key stakeholders in Contract Management and their roles and responsibilities in Wakiso DLG.
- ❑ The different approaches to management of contracts within Wakiso DLG.
- ❑ The key issues and challenges in Contract Management.
- ❑ Way Forward

CONTRACTUAL RELATIONSHIPS AND PROCEDURES FOR FORMATION OF CONTRACTS

Definition:

- ▶ What is a contract?
 - It is an agreement between two or more parties enforceable in law.

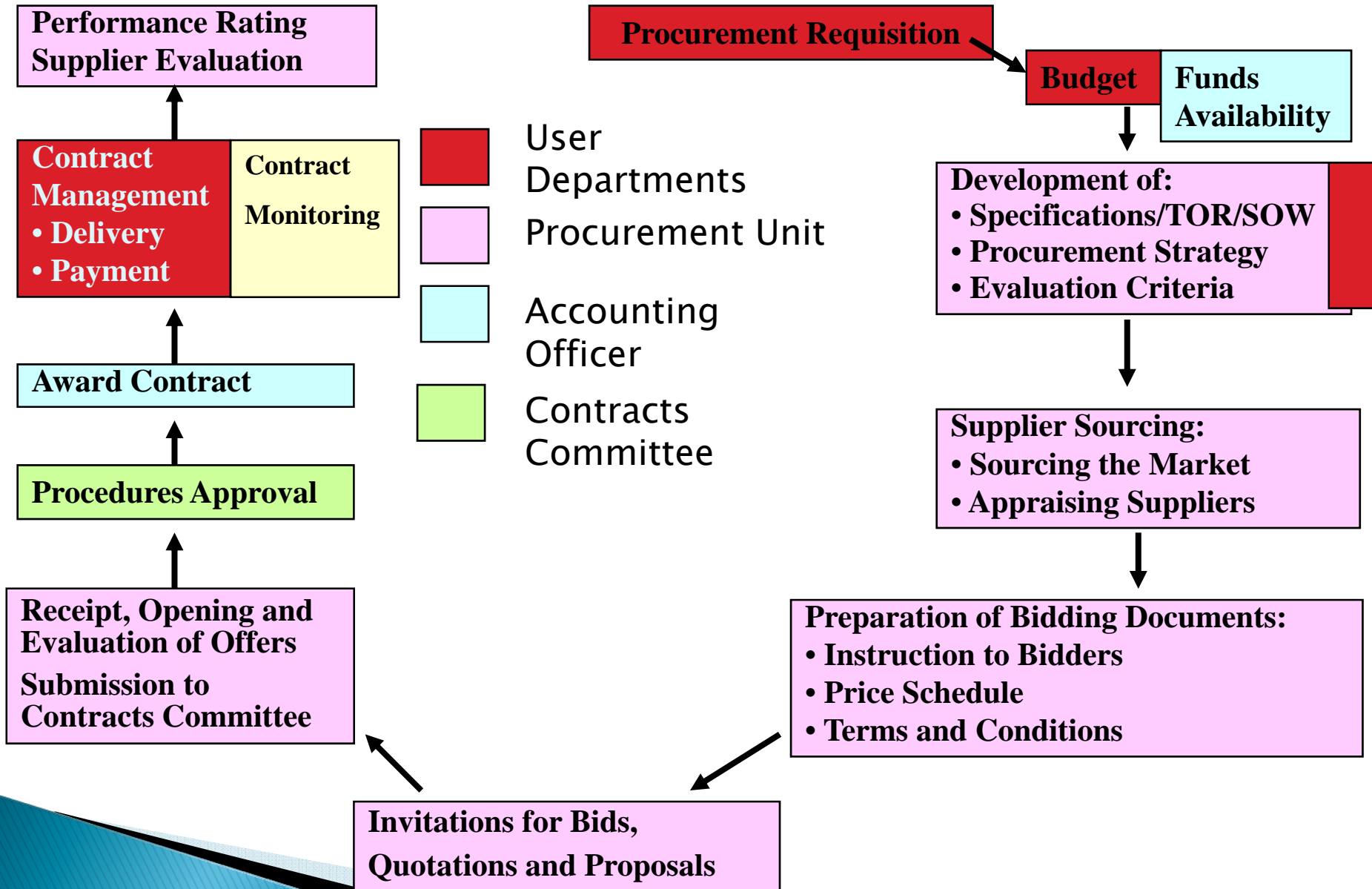
Contract

- ▶ Normally a contract consists of an offer by one party to do something and an acceptance of the offer by another party, there has to be a consideration.
 - ▶ Examples may include; works contracts normally involving two parties – the employer and the contractor or sometimes sub-contractors.
 - ▶ Force Account and call off orders
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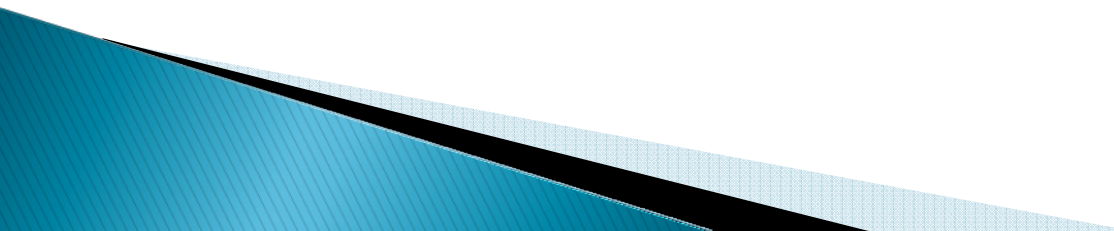
Definition of Contract Management

- Contract management is the process which ensures that both parties to a contract fully meet their **respective obligations** in order to efficiently and effectively deliver the **objectives of the contract**.

CONTRACT MANAGEMENT IN THE PROCUREMENT CYCLE



Contract Management Structure in Wakiso DLG:

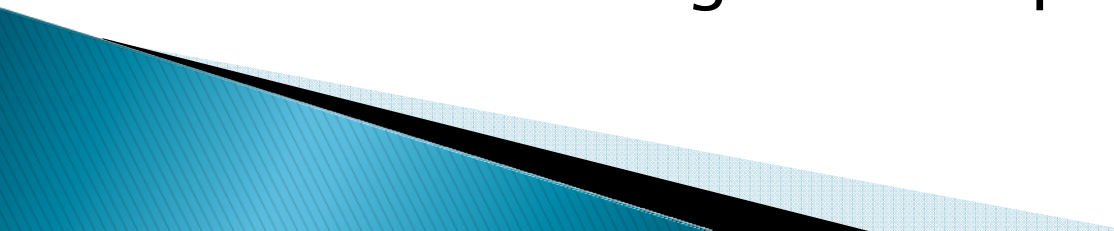
- ❑ Contract management is passed to user department from the PDU.
 - ❑ User department identifies contract manager
 - ❑ Contract Manager becomes responsible for contract management.
 - ❑ Contract manager follows the contract implementation plan
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Key Stakeholders in Contract management and monitoring in Wakiso DLG:

Stakeholder	Role
User department <ul style="list-style-type: none"> • Works Dept • Planning Unit • Education • Health, Town Councils etc 	<ul style="list-style-type: none"> ❑Nominates contract manager and monitors progress and execution of contract ❑Informs AO in writing of appointed manager & gives a copy to Internal Audit& CC, among others.
Provider or Contractor	<ul style="list-style-type: none"> ❑Deliver requirements of the contract in agreed time frame, quality, quantity and cost .
Contract manager	<ul style="list-style-type: none"> ❑Manages day-to-day technical supervision, managing obligations and ensuring provider performs contract. ❑Issue certificates/ reports for contract performance
PDU	<ul style="list-style-type: none"> ❑Monitors progress of work to ensure milestones agreed are achieved. ❑Submit reports to CC& AO
Accounting Officer	Overall management of implementation of the

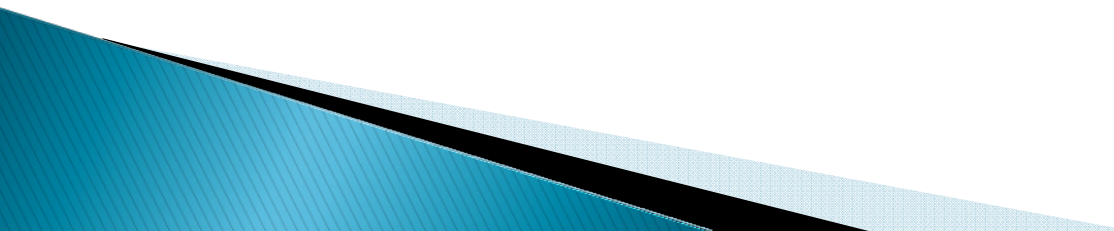
Key records for a Contract Manager

Documentation:

- ▶ Contract Document.
 - ▶ Copy of request/specifications from provider.
 - ▶ Copies of delivery schedules.
 - ▶ Copies of delivery certification.
 - ▶ Documents of any negotiations
 - ▶ Copies of all submissions to Contracts Committee
 - ▶ Correspondences between provider and PDE.
 - ▶ Contract management reports.
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Key issues in contract management

❑ Contract Document

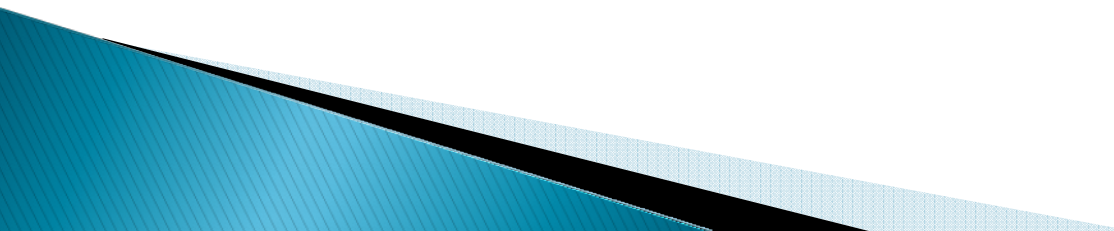
- Clearly identifies the obligations of each party, minimize risk for the PDE, maximize value for money and where required provide effective supervision and adequate monitoring and cost control measures.
 - Should use standard contract documents issued by the Authority
 - Formed when the letter of bid acceptance of contract document is signed
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Key issues in contract management

- ❑ Contract implementation plan
 - Prepared by contracts manager and provides for contracts events/deliverables , contract start-up, progress and contract completion.
- ❑ Variation or change orders–
 - Is the change to the price, completion date or TOR of a contract and may be issued with CC's approval
- ❑ Contract amendment
 - Refers to the change in the terms and conditions of the awarded contract and should be approved by CC and Solicitor General

Components of a Contract

Implementation plan:

- ▶ General contract and strategy information (definitions, roles/responsibility, scope, provisions).
 - ▶ Preparation of contract schedule (Time)
 - ▶ Preparation of contract budget (Cost)
 - ▶ Establish quality plan (Quality)
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Causes of Delays in Contracts Implementation

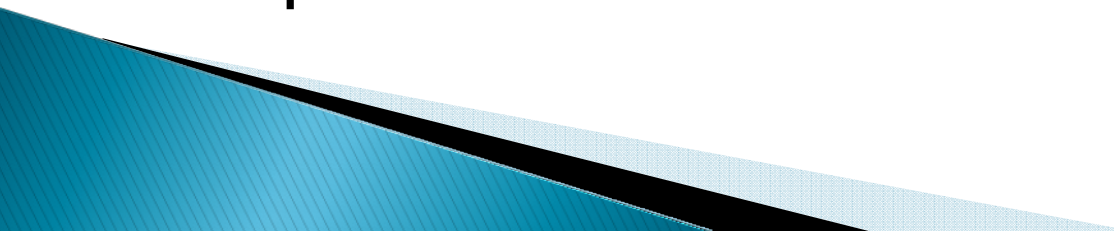
Provider:

- ▶ Lack of resources
Inadequate skill & expertise–
Consultancies
- ▶ Delays in supply chain
- ▶ Unrealistic estimates
- ▶ Failure to repair defective work.

PDE:


- ▶ Inadequate specification & variations
- ▶ Poor contract administration
- ▶ Delay in payments–
Local Revenue
- ▶ Delay in inspection
- ▶ Disputes
- ▶ Contract method.

Challenges in Contract Management

- ▶ Delay in Solicitor General's approval– 200m
 - ▶ Delay in delivery of services
 - ▶ Poor workmanship by contractors
 - ▶ Abscondment of providers
 - ▶ Poor funding with no advance payments especially in CAIP projects
 - ▶ Forged documents– Performance guarantees
 - ▶ Natural calamities
 - ▶ Variance in actual site conditions from expectations– Pit latrines
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Challenges in Contract Management

Cont'd

- Approved shoddy work
 - Coordination of service providers in force account
 - Changes in design during implementation
 - Inadequate and untimely release of funds
 - Communication– Feed back (UNRA).
 - Ensuring that the different stake holders perform to each other's satisfaction.
 - Meeting expectations from end-users
 - Motivating providers to perform (timely payments)
 - Managing the providers performance– Monitoring & Knowledge mismatch
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WAY FORWARD

- ▶ Appointment of contract managers for every contract and enforcing monitoring reports
- ▶ Performance of contracts within the completion time.
- ▶ Involvement of user departments in certifying the contractual sums
- ▶ Contract management implementation plans
- ▶ Implementation of the PPDA amendments both in the Act and Regulations.

Solicitor General's Approval

- ▶ With the recent amendments, Solicitor General now only approves contracts from UG Shs 200 Million, however any contract where the entity needs Solicitor General's in-put can still be submitted for their legal technical in put.

Thank You for Your Attention

