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Construction procurement —

Part 1: Processes, methods and procedures

Marchés de construction —

Partie 1: Processus, méthodes et procédures

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Foreword

ISO (the International Organization for Standardization) is a worldwide federation of national standards bodies (ISO member bodies). The work of preparing International Standards is normally carried out through ISO technical committees. Each member body interested in a subject for which a technical committee has been established has the right to be represented on that committee. International organizations, governmental and non-governmental, in liaison with ISO, also take part in the work. ISO collaborates closely with the International Electrotechnical Commission (IEC) on all matters of electrotechnical standardization.

International Standards are drafted in accordance with the rules given in the ISO/IEC Directives, Part 2.

The main task of technical committees is to prepare International Standards. Draft International Standards adopted by the technical committees are circulated to the member bodies for voting. Publication as an International Standard requires approval by at least 75 % of the member bodies casting a vote.

Attention is drawn to the possibility that some of the elements of this document may be the subject of patent rights. ISO shall not be held responsible for identifying any or all such patent rights.

ISO 10845-1 was prepared by Technical Committee ISO/TC 59, *Building construction*, Subcommittee SC18, *Construction Procurement*.

ISO 10845 consists of the following parts, under the general title *Construction procurement*:

- *Part 1: Processes, methods and procedures*
- *Part 2: Formatting and compilation of procurement documentation*
- *Part 3: Standard conditions of tender*
- *Part 4: Standard conditions for the calling for expressions of interest*
- *Part 5: Participation of targeted enterprises in contracts*
- *Part 6: Participation of targeted partners in joint ventures in contracts*
- *Part 7: Participation of local enterprises and labour in contracts*
- *Part 8: Participation of targeted labour in contracts*

This second edition cancels and replaces the first edition (ISO 10845-1:2010)

The main changes to the previous edition are:

- definitions and parts of the text have been revised, updated and aligned with other parts of ISO 10845 to ensure consistency in concepts and terms;
- the considerations in the development of a procurement policy and provisions for framework agreements have been expanded;
- provisions for a confined market selection procedure and design competitions have been added;
- the informative annexes relating to best value procurement and adjudication procedures to challenge decisions have been withdrawn;

- informative annexes have been substantially revised and two informative annexes addressing differences between categories of procurement and sustainable procurement in construction works contracts have been added

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Introduction

Procurement is the process which creates, manages and fulfils contracts. There are accordingly three phases to the procurement process associated with the delivery and maintenance of construction works, namely:

- a planning phase during which decisions are made as to what, where and when goods and services are required, how the market is to be approached and what is the number, type, nature and timing of the required contracts;
- an acquisition phase during which contracts are entered into following the execution of a selection procedure; and
- a contract management (or contract administration) phase during which compliance with requirements, changes in requirements and risk events which manifest during the execution of contracts are managed.

Procurement activities commence once the need for procurement is identified and end when the transaction is completed. There are six principal activities associated with the procurement process, namely:

- 1) establish what is to be procured;
- 2) decide on procurement strategies in terms of packaging, contracting and targeting strategy and selection method (see ISO 22058 which is under development);
- 3) solicit tender offers;
- 4) evaluate tender offers;
- 5) award contract;
- 6) administer contracts and confirm compliance with requirements.

Methods, procedures and operational policies are required to implement these principal activities. There is a finite range of methods and procedures associated with the various procurement sub-processes which can be standardized around a set of system objectives. Public, private, international organizations and main contractors can then establish their procurement systems around these standard procedures and methods. Contractors who contract with such organizations can in turn be required, as an obligation of the contract, to apply relevant standard procedures and methods when procuring goods and services or subcontracting construction works associated with their contracts.

This part of ISO 10845 is one of a series of International Standards entitled “Construction procurement” which cover various aspects of procurement within the construction industry. Each part of the series relates to a different aspect of procurement. The objective of this series of standards is to provide a generic and standard set of processes, procedures and methods for a procurement system that is fair, equitable, transparent, competitive and cost-effective and which can be used to promote objectives additional to those associated with the immediate objective of the procurement itself.

Standardization, apart from removing technical barriers to trade, enables

- a) those engaged in procurement activities to perform their duties, within the confines of their organization's procurement policy, in a uniform and generic manner;
- b) procurement documents to be readily compiled in a uniform and generic manner; and
- c) curricula to be developed to capacitate those engaged in a range of procurement activities.

Furthermore, it allows governments to readily develop an internal procurement-skills base, which is not lost when members of staff move between different departments or levels of government or organizations.

This series of standards is especially relevant for developing countries that lack experience and instruments in this field and can be used to improve international trade. This part of ISO 10845 provides a framework around which public, private and international organizations can develop their procurement systems to achieve fair competition, to reduce the possibilities for abuse and to improve predictability in procurement outcomes.

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Construction procurement —

Part 1: Processes, methods and procedures

1 Scope

This part of ISO 10845 describes processes, methods and procedures for the establishment within an organization of a procurement system that is fair, equitable, transparent, competitive and cost-effective. This part of ISO 10845

- a) describes generic procurement processes around which an employer can develop its procurement system,
- b) establishes basic requirements for the conduct of an employer's employees, agents, board members and office bearers when engaging in procurement,
- c) establishes the framework for the development of an employer's procurement policy, including any secondary procurement policy, and
- d) establishes generic methods and procedures for procurements, including those pertaining to disposals.

Guidance on the application of certain clauses is provided in Annex A. Differences between categories of procurement are indicated in Annex B. Generic procurement processes are described in Annex D. Guidance is provided on sustainable procurement in construction works contracts (Annex C), the establishment of a procurement system and the management of procurement processes (Annex E), standard selection methods (Annex F) and targeted procurement procedures (Annex G). Suggested Auction Data is provided in Annex H.

NOTE: 1 This part of ISO 10845 provides a generic and standard set of processes, procedures and methods for a procurement system which can be applied by both the public and private sector organisations in the development of their procurement system. The principles contained in this standard can also be applied down the supply chain.

- 2 This standard enables organisations to develop in the first instance a generic procurement system and then to identify the methods and procedures best suited to particular categories.

2 Normative references

The following referenced documents are indispensable for the application of this document. For dated references, only the edition cited applies. For undated references, the latest edition of the referenced document (including any amendments) applies.

ISO 10845-5, *Construction procurement — Part 5: Participation of targeted enterprises in contracts*

ISO 10845-6, *Construction procurement — Part 6: Participation of targeted partners in joint ventures in contracts*

ISO 10845-7, *Construction procurement — Part 7: Participation of local enterprises and labour in contracts*

ISO 10845-8, *Construction procurement — Part 8: Participation of targeted labour in contracts*

3 Terms and definitions

For the purposes of this document, the following terms and definitions apply.

3.1

acceptance

agreeing to a contractor's offer or tender, thereby creating a binding contract

[ISO 6707-2:2017, definition 3.5.16]

3.2

agent

person or organization that is not an employee of the employer and that acts on the employer's behalf

3.3

bill of quantities

document that lists the items of work and the quantities and rates associated with each item to allow contractors to be paid, at regular intervals, an amount equal to the agreed rate for the work multiplied by the quantity of work completed

3.4

bond

sum of money or securities submitted to the employer or placed in the hands of a third party to guarantee completion of the work and recovery of the sums which the contractor would be recognized as owing under the terms of contract

[ISO 6707-2:2017, definition 3.5.40 – modified – “client” replaced with “employer”]

3.5

conditions of contract

terms that collectively describe the rights and obligations of contracting parties and the agreed procedures for the administration of their contract or document containing conditions of contract

NOTE Adapted from ISO 6707-2:1993, definitions 3.2.1 and 3.2.2.

3.6

conflict of interest

any situation in which someone in a position of trust has competing professional or personal interests which make it difficult for him to fulfil his duties impartially, an individual or organization is in a position to exploit a professional or official capacity in some way for his personal or for corporate benefit, or incompatibility or contradictory interests exist between an employee and the organization which employs that employee

3.7

contract

legally enforceable agreement to supply goods, carry out construction works and / or provide services

[ISO 6707-2:2017, definition 3.1.1]

3.8

contract data

document that identifies the applicable conditions of a contract and states the associated contract-specific data

3.9

contractor

person or organization that contracts to supply goods, carry out construction works and / or provide services

3.10**corrupt practice**

offering, giving, receiving or soliciting of anything of value to influence the action of the employer or his staff or agents in the procurement process or the administration of the contract

3.11**cost plus contract**

cost reimbursement contract under which the contractor is paid for his actual expenditure plus a percentage or other sum as previously agreed

[ISO 6707-2:2017, definition 3.4.11]

3.12**cost reimbursement contract**

contract based on costs expended

[ISO 6707-2:2017, definition 3.4.10]

3.13**electronic auction**

repetitive process involving an electronic device for the presentation of new prices, revised downwards or new values concerning certain elements of tenders (or both), and which occurs after an initial full evaluation of the tenders, enabling them to be ranked using an automatic evaluation method

3.14**eligibility criteria**

criteria framed around the ability of a respondent or tenderer to provide the required goods, services and construction works or disposals, or any combination thereof, which need to be satisfied in order for a submission to be evaluated

3.15**employer**

person or organization intending to or entering into a contract with the contractor to supply goods, carry out construction works and / or provide services

3.16**expression of interest**

request for respondents to register their interest in undertaking a specific contract or to participate in a project or programme and to submit their credentials so they may, in terms of the employer's selection methods, be invited to submit a tender offer should they qualify or be selected to do so

3.17**framework agreement**

agreement between an employer and a contractor, the purpose of which is to establish the terms governing orders to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged

3.18**fraudulent practice**

misrepresentation of the facts in order to influence the tender process, the award of a contract arising from a tender offer to the detriment of the employer, including collusive practices intended to establish prices at artificial levels, or the administration of the contract including compensation procedures

3.19**joint venture**

two or more contractors grouped together to carry out work and share the risks, where each is jointly and severally liable for the actions and work of the other

[ISO 6707-2:2017, definition 3.8.3 – modified – “organizations” replaced with “contractors”]

3.20

order

an instruction to supply goods, carry out construction works and / or provide services under a framework agreement

3.21

organization

company, firm, enterprise, association or other legal entity, whether incorporated or not, or a public body

3.22

price adjustment

amount to be added or to be deducted from the contract price in accordance with the terms of the contract by way of allowances for increases or decreases in the costs of labour, plant, materials and / or equipment occurring during the performance of the contract

3.23

principal, noun

owner, partner, director or office bearer

3.24

procurement

process which creates, manages and fulfils contracts relating to the provision of goods, services and construction works or disposals, or any combination thereof

3.25

procurement document

documentation used to initiate or conclude (or both) a contract

3.26

project

contract or a series of related contracts or orders

3.27

quality

totality of features and characteristics of a product or service that bears on the ability of the product or service to satisfy stated or implied needs

3.28

respondent

person or organization that submits an expression of interest in response to an invitation to do so

3.29

scope of work

document that specifies and describes the goods, services, or construction works which are to be provided, and any other requirements and constraints relating to the manner in which the contract work is to be performed

3.30

secondary procurement policy

procurement policy that promotes objectives additional to those associated with the immediate objective of the procurement itself

3.31

selection method

method by which tender offers are solicited from the market

3.32**submission data**

document that establishes the respondent's obligations in responding to a call for an expression of interest and the employer's undertakings in administering the process of calling for and receiving expressions of interest

3.33**suitable**

capable of fulfilling or having fulfilled the intended function, or fit for its intended purpose

3.34**sustainability**

state in which components of the ecosystem and their functions are maintained for the present and future generations

[ISO 15392:2008, definition 3.20]

3.35**target cost contract**

cost reimbursement contract under which a preliminary target cost is estimated and on completion of the work the difference between the target cost and the actual cost is apportioned between the employer and contractor on an agreed basis

[ISO 6707-2:2014 definition 3.4.12 – modified – “client” replaced with “employer”]

3.36**targeted procurement procedure**

process used to create a demand for the services or goods (or both) of, or to secure the participation of, targeted enterprises and targeted labour in contracts in response to the objectives of a secondary procurement policy

3.37**tender data**

document that establishes the tenderer's obligations in submitting a tender and the employer's undertakings in administering the tender process and evaluating tender offers

3.38**tender offer**

written offer to supply goods, carry out construction works and / or provide services under given conditions, usually at a stated price, and which is capable of acceptance and conversion into a binding contract

3.39**tenderer**

person or organization that submits a tender offer

3.40**value for money**

- a) optimal use of resources to achieve intended outcomes, or
- b) the effective, efficient and economic use of resources

4 Establishing a procurement system**4.1 General****4.1.1 Developing and documenting the system**

An employer shall develop and document its procurement system