

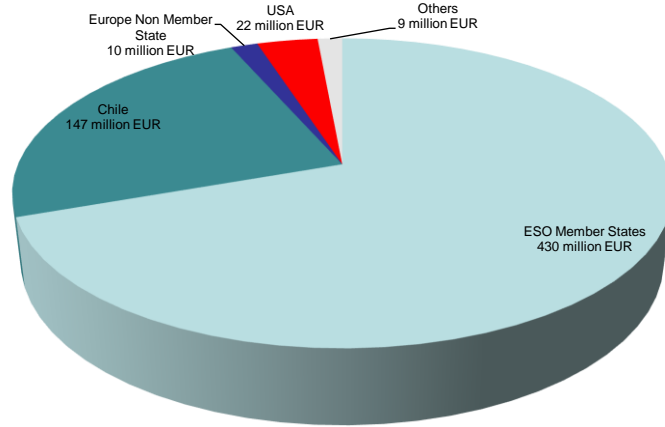
# ESO Procurement

## Topics Addressed

- Statistics
- ESO Procurement Policy & Process
- Industrial return
- The ESO Contracts and Procurement Web page ([www.eso.org](http://www.eso.org)).



## Contracts awarded worldwide over the period 2005 - 2011



Total Contracts 6 years: 618 million EUR

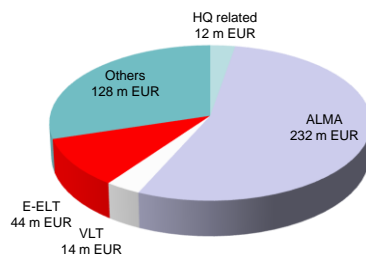
ESO Industry Days 2012

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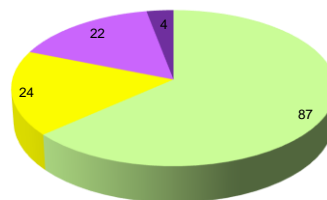
## Contracts awarded within ESO Member States over the period 2005 - 2011

Cumulative values, per "project"



Total Contracts 6 years, 430 million EUR

Number of contracts, for different price ranges



- [150,000 - 500,000] EUR
- [0.5 - 1.0 million] EUR
- [1 - 5 million] EUR
- [> 5 million] EUR

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## Procurement Policy

- Overall objective: technical excellence at an affordable cost.
- Key principles:
  - defined in the ESO Financial Rules and Regulations:
    - Competitive Tendering;
    - Within ESO Member States;
    - Contracts awarded to the lowest priced compliant tender;
    - Fair distribution of the contracts among the ESO Member States.
  - Implemented through the ESO internal Procurement and Sales procedures.

## Procurement Process (1/2)

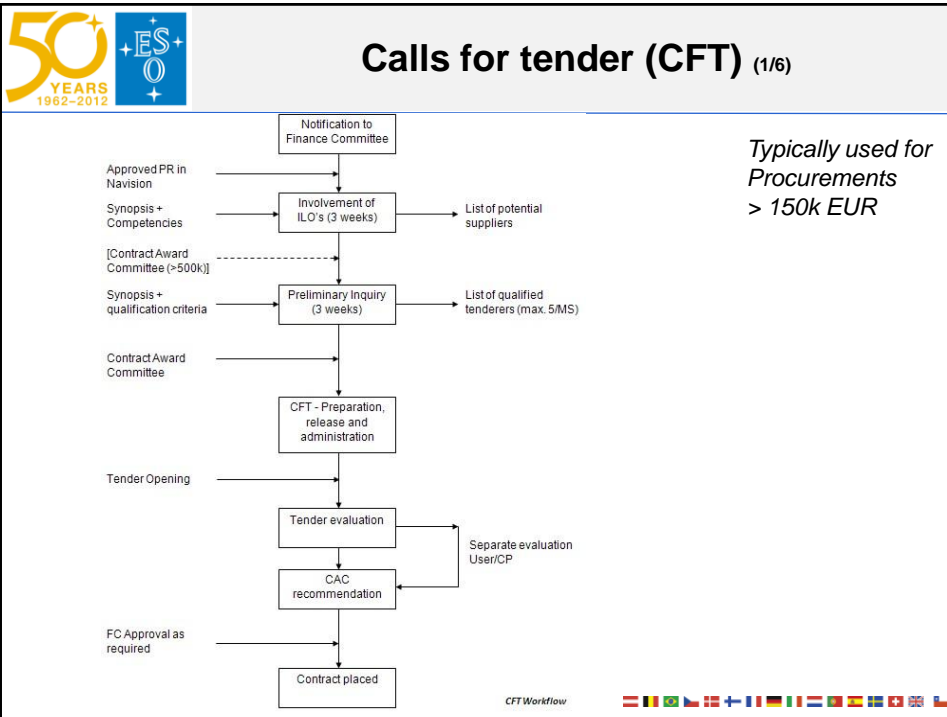
- ESO selects the recipients of its procurement actions from:
  - Its database, plus its staff's own knowledge;
  - Suggestions received from ESO Member States;
  - Interest expressed by companies:
    - In relation to forthcoming procurements announced on the ESO web page;
    - Generically.
- ESO gives great importance to the quality of its tenders, and expects the same from the bidders: “one shot only”, no room for improving a tender after its submission.

## Procurement Process (2/2)

- Evaluation of the managerial/technical evaluation of tenders performed without knowledge of the price(s);
- Lowest priced compliant tender is awarded the order/ contract;
- For each procurement above 150K EUR, an internal committee is constituted to follow through the evaluation and adjudication process.
- Contracts/ Purchase Orders are regulated by ESO's own set of contractual conditions (including recourse to private arbitration in case of disputes).

## Price Inquiries

- As a general rule, used for procurement values < 150' 000 EUR;
- Minimum requirement: 3 competitive offers must be sought, and far preferably obtained;
- For procurements > 50' 000 EUR, suppliers from (all) ESO MS are expected to be contacted, "whenever possible";
- Typically 2 to 4 weeks allowed for the companies to respond;
- No formal opening, unlike CFT: the CP officer in charge summarizes the responses in a note for the CP file;
- The User receives all the technical offers for evaluation, without knowledge of the prices;
- The technical evaluation identifies the compliant tenders, and in particular documents the reasons why certain tenders were judged non compliant;
- The order is awarded to the lowest priced compliant tenderer.



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## Calls for tender (CFT) (2/6)

- **Workflow**
  - **Notification to Finance Committee:**
    - (Very) High level description of the scope of work, plus indication of the timing;
    - Also, indication of the origin of the companies which may be invited to respond (MS only, Chile, MS + USA, worldwide, else?);
  - **Involvement of the ILOs for building up the list of potential suppliers:**
    - Mandatory step for procurements > 150kEUR;
    - ILOS are provided with: a) a synopsis of the work to be tendered (User); b) required competencies (User + CP); and c) list of potential suppliers already known to ESO (CP + User);
    - ILOs have 3 weeks to respond;
    - CP consolidates the list of companies, NO down-selection at this stage.

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## Calls for tender (CFT) (3/6)

### ➤ Preliminary Inquiry:

- Purpose: qualify/ select the recipients of the forthcoming CFT;
- Mandatory step for procurements > 150 kEUR, unless formally excused by the Head of Admin. (> 250 kEUR) or Head of CP;
- Relies on similar information to that provided to the ILOs (synopsis + qualification criteria), plus a clear definition of what we expect from the companies in their response;
- Companies have (typically) 3 weeks to respond;
- Separate evaluation by User and CP to establish qualification or not against the technical/ managerial and the commercial qualification criteria, respectively;
- The result is a consolidated list of qualified companies:
  - Validated by the CAC for procurements > 500 kEUR;
  - Submitted for approval to the Head of Admin (>250 kEUR) or to the Head of CP otherwise;
  - No more than 5 companies per each MS.

## Calls for tender (CFT) (4/6)

### ➤ Contract Award Committee:

- Required for all CFTs with values > 150 kEUR;
- Constituted of at least 3 members:
  - The CP officer in charge of the CFT (chair);
  - A member of the User Division, not responsible for the technical evaluation;
  - A (preferably truly) neutral 3<sup>rd</sup> member;
- The CAC makes its recommendation:
  - To the DG for procurements > 250 kEUR;
  - To the Head of Admin otherwise.

### ➤ Preparation, release and administration of the CFT:

- Mandatory technical auditing of the requirements for procurements with values > 500 kEUR, unless the Head of the User Division and the Head of CP have exceptionally agreed otherwise;

## Calls for tender (CFT) (5/6)

- CP has the responsibility to consolidate the inputs and to release the CFT, and then is the sole interface with the tenderers;
- Companies have (typically) 6 weeks to submit their response.
- Tender Opening:
  - Purpose: establish compliance with the administrative requirements of the CFT => recommendation to reject tenders at this stage, or to not evaluate all tenders received, require the approval of:
    - The Head of Admin for values > 250kEUR;
    - The Head of CP otherwise;
  - Also, the CAC verifies at this stage that each panel has established clear evaluation criteria (preferably an evaluation matrix with a pre-defined grading system);
  - All tenders accepted by the CAC are passed on for evaluation;
  - Strict separation between technical and commercial evaluation => the members of personnel involved in the technical evaluation do not have access to prices.

## Calls for tender (CFT) (6/6)

- Tender evaluation:
  - Questions for clarification/ missing information are processed via CP;
  - The CAC reviews and consolidates the evaluation of both panels and makes its recommendation for the award (or else, e.g. failed CFT).
- Placing of Contract:
  - For values > 500 kEUR, the further approval (in addition to that of the DG) of the Finance Committee is required (only two opportunities per year, May or November, .....and work around solutions - e.g. FC approval via written procedure or extraordinary FC meeting - are rare).

## Administration of Contracts

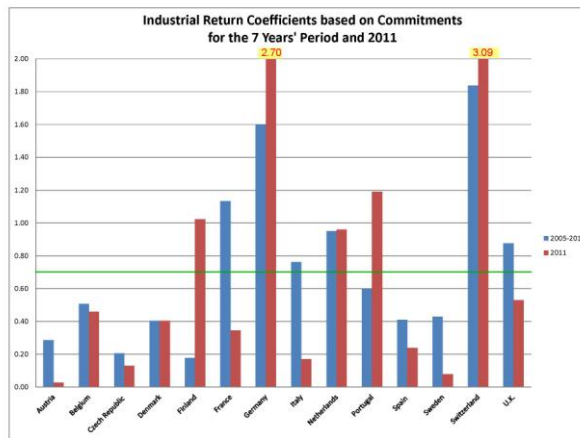
- Allocation of roles and responsibilities:
  - Users are responsible for the monitoring of the work (schedule and technical aspects);
  - CP deals with commercial/ contractual matters, including contract amendments;
  - Contractors need to be made aware of the split roles within the ESO team (e.g. at a kick-off meeting);
- Changes (scope, deadlines, else) to a contract are formalized by CP via contract amendments: Users may not commit ESO to the change in anticipation;

## Industrial Return <sup>(1/3)</sup>

- No requirement for *juste retour*...but a strong expectation from all ESO Member States of an equitable distribution;
- Measured through each country's *return coefficient*: ratio between the percentage of expenditures in an individual MS and the MS percentage contribution to the budget;
- Expenditures calculated on data collected from the Contractors re: the "origin of the supply".



## Industrial Return (2/3)



## Industrial Return (3/3)

- Additional efforts invested by the Management to increase awareness in the Member States of the procurement opportunities offered by ESO:
  - Close monitoring + regular reporting to the ESO Finance Committee;
  - Stronger involvement of the Industrial Liaison Officers in identifying competent suppliers;
  - Increased programme of Industry days and networking events;
  - Update of the procurement rules.
- ....also, pro-activeness of the Member States encouraged.

The screenshot shows the ESO CP Web Page interface. At the top, there is a navigation bar with links for Public, Science, User Portal, Intranet, Contact, Site Map, and a search bar. Below this is a main content area with a sidebar on the left containing various menu items like 'About ESO', 'Images', 'Videos', 'News', 'ESO Home', 'Telescopes and Instrumentation', 'Science with ESO Telescopes', 'Events, Exhibitions & Campaigns', 'Outreach', 'Products', 'Relations with Industry', 'Contracts and Procurement', 'Technology Transfer', 'Future Projects', 'Safety', 'Industry Contacts', 'Working at ESO', and 'ESO in your Language'. The main content area is titled 'Contracts and Procurement' and contains the following text:

The main responsibility of the Contracts & Procurement Department is to perform price inquiries, preliminary inquiries, calls for tenders, assess the offers and tenders received for their commercial adequacy, coordinate the Contracts Award Committee, place and follow-up the purchase orders and contracts in conformity with the ESO policy.

For information or questions, please contact [cp@eso.org](mailto:cp@eso.org).

**General Information**  
An Overview of the ESO Procurement Process  
[Industrial Liaison Officers Contact Details](#)

The following documents govern the ESO procurement activities:

- [General Conditions of Purchase Orders](#), Munich, May 2007
- [General Conditions Governing Invitations To Tender and Tenders](#), Munich, May 2007
- [General Conditions of ESO Contracts](#)
  - [Version applicable as from 1 October 2011](#)
  - [Previous versions](#): Munich, December 2009
  - Munich, May 2007
- [Conditions Governing Calls for Proposals and Contracts for the VL2 Instrumentation](#), Munich, December 2009
  - [Annex 1: General Conditions Governing Invitations to Tender and Tenders](#), Munich, May 2007
  - [Annex 2: General Conditions of ESO Contracts](#), Munich, December 2009
  - [Annex 3: Copy of the Protocol on the Privileges and Immunities of ESO](#)
  - [Annex 4: Policy for Guaranteed Time Observations \(GTO\)](#)

**Advance information on forthcoming Calls for Tenders/Preliminary inquiries exceeding 150'000 EUR**

- [Calls for Tenders / Preliminary inquiries](#) announced but not yet issued. This document lists all calls for tenders expected to exceed 150'000 EUR and/or, when applicable, the preceding Preliminary inquiries which are scheduled to be issued to companies from the ESO Member States and other selected countries as indicated.
- [Calls for Tenders / Preliminary inquiries](#) issued from previous Advance information on forthcoming Calls for Tenders/Preliminary inquiries (one year reference period).

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