

Glossary Guide for Public Contracting

Public contracting and procurement can be tricky. There are a lot of complicated terms. Here's a glossary of terms to make navigating this process easier for you.

A

Acquisition - The process of obtaining goods, services, or works through procurement methods, typically involving a formal contract.

Award - The formal granting of a contract to a successful bidder or proposer after the evaluation and selection process.

B

Bid - A formal proposal submitted by a company or individual in response to a public solicitation, offering to provide goods or services at a specified price.

Bid Bond - A form of guarantee provided by a bidder, typically as a percentage of the bid amount, ensuring the bidder will honor the terms of their proposal if selected.

Bidder - A company or individual who submits a bid in response to a public procurement solicitation.

Bonding Capacity - The maximum amount of surety bond that a contractor can obtain, which may be a requirement for securing public contracts.

Bulk Procurement - The process of purchasing goods or services in large quantities, often at discounted rates, typically to save costs or meet demand more efficiently.

C

Competitive Bidding - A procurement process where multiple vendors submit bids, and the lowest or best value offer is selected according to the criteria set out in the solicitation.

Contract - A legally binding agreement between two or more parties outlining the terms, obligations, and conditions related to goods or services provided.

Contract Compliance - Adherence to the terms, conditions, and requirements of a contract, including applicable laws and regulations.

Contract Modification - An official change or amendment to an existing contract, which may include adjustments to the scope, timeline, or price.

Contract Negotiation - The process of discussing and agreeing on the terms of a contract before finalizing it, including price, scope, and delivery requirements.

Contractor - An individual or company that enters into a contract with a public agency to provide goods or services.

D

Debarment - A formal exclusion of a vendor or contractor from participating in public procurement processes due to unethical behavior, misconduct, or failure to meet contract requirements.

Direct Award - A method of procurement in which a contract is awarded to a supplier without a competitive bidding process, typically used in urgent or specialized situations.

Due Diligence - The investigation or audit of a potential vendor or contractor's background, financial stability, and capability before entering into a contract.

E

Eligibility Criteria - The set of requirements or conditions that a bidder must meet in order to be considered for a contract, such as experience, financial stability, or certifications.

Emergent Procurement - A type of procurement that is used to address urgent or unforeseen needs, often without following the usual competitive bidding process.

Environmental Impact Assessment (EIA) - An evaluation of the potential environmental effects of a procurement or construction project, ensuring compliance with environmental regulations and sustainability goals.

Escalation Clause - A provision in a contract that allows for adjustments to the price or terms due to changes in external factors such as inflation or raw material costs.

Evaluation Criteria - The specific factors or standards used to assess and compare bids or proposals, such as price, technical capability, quality, and delivery timelines.

F

Federally Funded Procurement - A procurement process that is financed by federal government funds, subject to federal procurement regulations and guidelines.

Fixed-Price Contract - A type of contract where the price is agreed upon upfront and does not change regardless of the actual costs incurred during project execution.

G

Government Procurement - The process by which government entities purchase goods, services, or works from private suppliers, subject to public laws, policies, and regulations.

Grant - A financial award or funding given by a government or other entity to support a specific project or initiative, often used in public sector procurement for social programs, research, or development.

Grant Agreement - A formal contract between a grantor (often a government agency or foundation) and a recipient detailing the terms and conditions under which the grant is awarded and managed.

Gross Price - The total price for goods or services before any discounts, taxes, or other deductions are applied.

H

Hedger - Something that couples a transaction (which must be hedged) with another transaction intended to neutralize the risk, such as futures, options, and forwards.

I

Incentive Clause - A provision in a contract that provides for additional payments or benefits to the contractor if certain performance targets or milestones are met, such as completing work ahead of schedule or below budget.

Invitation to Bid (ITB) - A formal request for vendors to submit competitive bids for a specific project or procurement.

J

Joint Procurement - A process where multiple organizations collaborate to procure goods or services collectively, often to achieve economies of scale and reduce costs.

Judgment Criteria - The specific standards or benchmarks used to evaluate bids or proposals during a procurement process, often based on quality, cost, delivery time, and compliance.

Judicial Review - A legal process where a court reviews the decisions or actions taken during a procurement process to determine if they were conducted fairly and in compliance with applicable laws and regulations.

K

Key Performance Indicators (KPIs) - Central performance indicators for updating and comparing a degree of fulfillment of essential functions/results

L

Letter of Credit - A contractual obligation of a bank to make a payment on behalf of the customer.

Letter of Intent - A preliminary agreement or statement that outlines the intentions of the parties to enter into a formal contract, often used in public contracting before final negotiations begin.

M

Master Service Agreement - A framework agreement that lists rights, obligations, and other regulations, such as terms of delivery and payment, that apply to all individual contracts also in the future.

N

Need - A procurement need triggers the purchase of goods, services, or works. It marks the beginning of procurement planning, where specific terms are set and risks are assessed. After identifying the need, a purchase request is usually made.

Negotiation - the process used to establish mutually agreeable terms in a supplier contract. This can involve updating terms with an existing supplier or setting new terms with a new vendor. The goal is to create terms that provide value to both parties. Key objectives often include cost, value for money, delivery times, payment terms, maintenance, quality standards, and overall product costs.

O

Operation Level Agreement - Intra-organizational, non-contractual agreement to secure a higher-value agreement with third parties.

Outsourcing - Transmission of company tasks and structures to external service providers requires complex cost-benefit analysis.

P

Performance Bond - A type of surety bond issued by a contractor or a third party that guarantees the completion of the project as specified in the contract, providing financial protection to the buyer.

Pre-Qualification - A stage in the procurement process where potential suppliers are assessed for their capability, experience, and financial standing before being invited to submit full bids.

Price Quotation - A supplier's written offer or estimate of the price for providing goods or services, often in response to a Request for Quotation (RFQ).

Procurement - the process of acquiring goods, services, or works from an external source, often via a competitive bidding process.

Proposal - A detailed offer submitted by a supplier or contractor in response to a Request for Proposal (RFP), outlining how they will meet the requirements of the contract, including pricing, methodology, and qualifications.

Public Contracting - the process by which government entities establish agreements with vendors for goods, services, or construction projects

Public-Private Partnership (PPP) - A cooperative arrangement between public and private sectors to deliver public services or infrastructure, where risks and responsibilities are shared between both parties.

Q

Qualified Bid - Qualified bid or offer as a part which is necessary to conclude a contract. A declaration of intent which must be received in order to conclude a contract under the law of obligations. The offer specifies (demanded) goods, number of goods, price of the goods, discount, place of performance, delivery time and terms of payment.

R

Request for Proposal (RFP) - A solicitation document outlining project requirements and evaluation criteria, inviting vendors to propose solutions.

Request for Quotation - A process for obtaining price quotes for specific goods or services, usually for smaller or less complex purchases. The RFQ process is typically quicker and less formal than an RFP.

Requisition - A formal request to purchase goods or services, typically created by a department or team within an organization and submitted to the procurement department for approval.

Retention - A percentage of the contract price that is withheld until the completion of a contract or project to ensure that the contractor fulfills all obligations.

S

Scope of Work (SOW) - A detailed description of the work to be performed under a contract, including deliverables, timelines, and specific tasks to be completed by the contractor.

Sealed Bid - A competitive bidding process where all bids are submitted in a sealed envelope and are only opened after the submission deadline, ensuring confidentiality and fairness.

Sole Source Procurement - A method of procurement where only one supplier is invited to provide goods or services, usually due to the uniqueness of the offering or urgency.

Subcontractor - A third party hired by the contractor to perform part of the work under a public contract.

T

Tender - A formal offer submitted by a supplier in response to an Invitation to Tender (ITT), outlining the price, terms, and conditions for delivering goods or services.