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Contracting and Procurement Course

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CONTRACTING AND PROCUREMENT COURSE

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Why Contracting and Procurement?
by
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What is a Contract?

A contract is a promise or a group of promises between two or more persons or businesses. When the promises are broken, in whole or in part, the contract holder may ask the court to enforce the contract. This may often include fines, but may also require that the other party take the action it agreed to do. An example would be a contract between a landlord and a tenant. The tenant may go to court to make the landlord do repairs on the unit which he agreed to do, such as paint a room or fix a toilet.

Making a contract legal requires that one person or business agree to something in return for “consideration” (money or another benefit) from the other party to the contract. In the landlord tenant example, the tenant agrees to pay rent and the landlord agrees to allow use of his property.

A good contract protects the parties (people or businesses) who enter into it. A good contract ensures that all parties will receive the benefit they seek (e.g., a unit in which to live; rent payments each month) and also give the parties a way to resolve any broken promises (eviction; withholding; rent).

There are several kinds of contracts. An “express” contract is probably the most familiar one. Its terms (or agreements) are written or clearly stated by the parties agreeing to it. Landlord and tenant contracts are usually express contracts. An “implied” contract is one that is created by the action of the parties. When you buy a ticket to see a movie, you expect to see the film or have your money returned if the projection breaks. You have not talked with the theater manager or signed a written contract agreeing to pay \$6 in exchange for seeing the movie, but, because you purchased a ticket and he advertised a film, you have an implied contract with him.

The paper on which the contract is written is not the contract, but evidence of it. The contract is the agreement between the parties and that agreement must be one that all parties understand and agree to. Sometimes there is language on the back of tickets to amusement parks, racetracks and other recreational facilities that says the owner has no liability or responsibility if the consumer is hurt on the fairgrounds. Often these are written in legal terms not understood by the general public. This is not a valid contract because the consumer does not understand the terms and does not agree that the owner has no responsibility if the consumer is hurt when the badly-maintained bleachers collapse, for example.

Contracts can only be made between persons who are, in the legal term, “competent.” That is, contracts cannot be made if one person to the agreement is under age, has a mental disability that interferes with their understanding of the contract’s terms, and so forth.

In summary, a valid contract is made between two or more persons or businesses who are capable of making a contract (“competent”), who understand what they are contracting to and agree to it, and who to give money or some other benefit (in legal terms, “consideration”) in return for fulfilling the agreement.

Why enter into Contracts?

Good written contracts are clear and complete and, therefore, enforceable and effective. They protect all the parties who enter into them. Some may think they are too “legal” and indicate that people do not trust one another. In reality, they provide an opportunity for persons wanting to agree on something to discuss it and make sure they are both thinking and speaking about same goals.

Unfortunately, the importance of a contract is sometimes not apparent until too late. For example, A agrees to sell to B bicycle for \$100. Shortly after B leaves, C comes in and sees the bicycle. C offers to pay \$150. A sells the bicycle to C for the higher price. B returns later with \$100. A maintains that there was no contract until he actually received payment from B. There is no writing to the contrary. B is left without the bicycle and without any recourse against A. B now knows that A cannot be trusted. If B had a contract, however, he would have been entitled to the bicycle.

These facts may be changed: A carpenter agrees to do repair work at your home. Without a contract, there is no independent source that recites the nature of the work to be performed, the projected completion date nor the amount to be paid nor the terms of payment. Many relationships that begin congenially quickly deteriorate when a party does not do the work agreed to or pay the price agreed upon.

Occasionally industry custom, the personality of the parties, or circumstances dictate a handshake arrangement. The problem with handshake deals is that they may be, at least an retrospect, a very fundamental disagreement over what the handshake really means.

The Contracting and Procurement Process

When we speak of Contracting and Procurement, we are referring to an actual process. The Contracting and Procurement Process includes various elements. These are:

1. determining needs for contracted goods and/or services;
2. determining a reasonable cost as well as what is affordable;
3. developing a description, usually referred to as a Scope of Work, of the service to be performed;
4. finding eligible bidders;
5. developing tender documents; reviewing bids;

6. choosing a contractor;
7. entering into a contractual relationship; and
8. monitoring the contractor's performance.

What is the rationale for using such a process? In general, a good process for obtaining goods and services is logical and objective. The process is equitable; if it is properly employed, it allows for competition among many contractors and success is based on objective parameters. Therefore, it allows for the best goods and services to be procured at reasonable prices.

When a group or individual contemplates contracting for a particular service, it is important to determine need and to determine what resources are available to address this need. A detailed description of the required service is important for several reasons. This description, or Scope of Work, lets potential contractors know exactly what is expected of them. If a contractor knows what the client's expectations are, it is much more likely that these expectations will be met than if the contractor does not have a clear idea of what the client wants.

The contracting and procurement process provides an objective set of criteria by which to judge the bidders. By allowing multiple contractors to bid on the work to be performed, there is a good chance the client will receive the best possible service at the best possible price. This fosters competition, and the emergence of new service providers.

Once a contractor is chosen, for reasons described on pages one and two, it is important that there be a written document between the two parties. Good communication helps to ensure that both parties are satisfied with the outcome, once the service has been provided. By effectively monitoring the contractor's performance - the contractor's adherence to the contract - the client increases the likelihood of mutual satisfaction.

SETTING PRIORITIES FOR THE CONDOMINIUM ASSOCIATION

A role of the Condominium Association is that it must set priorities to address the needs of the building.

It is not uncommon for a building to have numerous physical needs, and not enough money to address them. If the Condominium Association has few resources, it must assign priorities so that these resources are used in the most effective way.

A. Types of Maintenance

There are generally five elements of a maintenance program:

1. Janitorial and Groundskeeping

This is a program of daily, weekly, and other periodic activities to maintain the building's cleanliness and overall appearance. A janitorial and groundskeeping program usually includes:

- cleaning of common areas
- litter removal from the common areas
- disposal of garbage from the property
- maintenance of plants, grass and landscaping
- cleaning of paved surfaces
- snow removal.

2. Scheduled and Preventive Maintenance

This kind of maintenance program includes making inspections of the common areas of the building and performing routine work in order to reduce the frequency and severity of problems:

- performing inspections to determine the condition of each building component
- corrections of deficiencies noted in the building inspection
- scheduling of routine maintenance items each season (includes servicing the heating system, clearing off the roof, etc.)

3. Responsive Maintenance

This type of maintenance is usually performed in response to a request from building residents or staff. These may be divided into three types.

- Emergency requests to address situations which threaten the health and safety of the residents, or the physical integrity of the structure. Examples: roof leak, lack of heat in building.
- Urgent requests to address situations which result in inconvenience or hardship to the building occupants and, if not attended to, could result in safety hazards. Examples: plumbing problems, heating system malfunction.
- Routine requests to address items which need to be repaired but are not emergencies. Example: leaking faucet.

4. Deferred maintenance

Deferred maintenance is maintenance that should have been performed but hasn't, due to either lack of funds, poor planning, or lack of organization and supervision. Generally, deferred maintenance, if not addressed, can result in deterioration of the property. The Condominium Association should analyze the risk of further deferring the item, and determine when the situation should be addressed.

5. Modernization or Improvements

Modernization and improvement items are usually those which upgrade, improve, or modernize building conditions or the efficiency of systems. Such upgrades often pay for themselves over time due to increased efficiency and lower maintenance costs.

B. Setting Priorities

To set priorities is to decide what are the most important items or concepts to be addressed. Usually priorities are set in order of importance.

All of the maintenance items described above are important for different reasons. Emergency items need to be addressed to protect the health and safety of the residents. Keeping the building clean and free of debris can improve the safety of the residents, as well as increasing the value of the property by making it more attractive. Spending money in order to modernize equipment may reduce the building's operating costs.

In an optimal situation, over time, the Condominium Association would have adequate monetary resources to address many, if not all of these items. However, it is likely that the Association at any one time might only have enough resources to address the most important items. Setting the priorities of work to be done is one of the Condominium Association's greatest challenges.

Condominium Associations should incorporate input from all of the members to set priorities and should take into consideration the input of as many residents of the building as possible. In addition, the Association should seek answers to various questions:

1. What are the building's most serious physical problems?
2. Of those listed above, which, if left untended, will cause the greatest damage to the building?
3. Approximately what would it cost to address each of these items?
4. Can the Association afford to address any of these items immediately? In the next year?
5. If the Association defers repairing these items, how much more, if any, will it cost to fix these problems later?
6. Are there repairs or improvements which could be made to the building which would help the Association save money in the long run?
7. Are there repairs or improvements which could be made to the building that would increase its value?
8. Which of the items mentioned above does it make sense to do as soon as possible?

In setting priorities, the Condominium Association has to consider what it can afford to do, what it can't afford to do, and what it can't afford **not** to do. In some instances, the building may have repair needs which exceed the Association's current ability to pay for these needs. In some cases, however, the cost of deferring these needs is substantially greater than the cost of addressing them immediately. In those instances, the Association has to decide if the situation warrants charging the members a special fee, particularly if doing so would result in long-term savings.

EXERCISE 1

You are S.Metahev (Sonya or Sergei). You are the president of the Condominium Board at #3 Rustovsky Prospekt. There is an emergency. You receive a frantic call from the building custodian that water is streaming down the walls in the hallway. He says the plaster is bulging and is about to fall down.

Immediately after you hang up the telephone, a resident in the building calls to tell you that water is streaming down her walls. Her bathroom ceiling has already begun to fall in and she says the wall is about to come down as well.

This is the third time this has happened in this building in the past three weeks. First it was on the other side of the hallway in unit #1, and the past two times it has been in the same place, unit #3. You hired a plumber to repair the leaks each time and he assured you that he has repaired it.

The leaks have occurred in the pipes which are in the bathroom of the apartment, outside the wall (visible to the resident). One week later a leak happens again. You are not sure, but it might be a recurrence of the same leak.

You begin to wonder what the problem is, this is a new plumber, but he has been recommended by reliable contacts for whom he has worked in other buildings over the past two months. Of course this is also the most serious call he has dealt with. Could the problem be faulty supplies used to make the repair? Could the problem be the old pipes in this building? The pipes are accessible to the residents, could the residents be banging their washing machine against the pipe and cracking it?

At your table groups you must analyze the information that you have and determine what the real problem is? Use the method of problem analysis described in the advance reading. Make your best judgement about the problem based on the information provided above.

Do you have enough information to decide exactly what the problem is? What additional information do you need?

BUILDING SURVEY

BUILDING ADDRESS _____

TOTAL NUMBER OF RESIDENTIAL UNITS IN BUILDING _____

TOTAL NUMBER OF COMMERCIAL UNITS IN BUILDING _____

NUMBER OF UNITS OWNED BY OCCUPANTS _____

NUMBER OF UNITS OWNED BY MUNICIPALITY _____

TOTAL NUMBER OF SQUARE METERS IN BUILDING _____

NUMBER OF SQUARE METERS OF COMMON AREAS _____

NUMBER OF FLOORS _____

TYPE OF CONSRUCTION _____

TYPE OF HEATING _____

YEAR OF CONSTRUCTION _____

HOW ARE UTILITIES METERED? _____

INFORMATION ON COMMERCIAL UNITS IN BUILDING _____

WHAT ARE THE BUILDING'S MOST SERIOUS PHYSICAL PROBLEMS? _____

BUILDING CONDITIONS

Excellent Good Fair Below Average Poor N/A

Elevator

Roof

Plumbing

Heating System

Electrical System

Doors

Windows

Balconies

Stairways

Hallways

Lobby

Mailboxes

Basement

Equipment Rooms

Other (describe below)

Overall Building Rank

EXERCISE 1

Your name is I. (Irina or Igor) Minsk. Recently you went to visit your elderly uncle. You are his last living relative and he asked you to visit because he is very old and very ill and he wanted to see you before he died. You had a wonderful visit, and as you were leaving he gave you a large envelope. He told you that this was your inheritance. Inside the envelope was 5 million rubles. You had no idea of this, but your uncle had been operating his own kiosk for quite some time and had been saving as much money as he could. He earned a lot in the past few years.

50,000,000 RUBLES is a lot of money. What will you do with it. After lengthy discussions with your spouse, you decide that because inflation is so high right now, and money is losing its value, the best thing to do with the money is to spend it. Because it is a lot of money you want to think very carefully about how you spend the money. What you really need is to improve your life.

You and your spouse are both working and have jobs that provide an average salary. You are not happy with your job though. Your boss is an unreasonable person and very difficult to work with. You are never quite sure when he is going to be blaming you for some mistake or other that happens in the office. The commute is quite long too - one and one half hours on train and bus. It is unpleasant to wait at the bus stop in the winter, and is so time consuming that you miss any evening activities that your children have planned, because you can't get home on time. You have considered changing jobs, but that is very difficult to do, so you have just endured your current job. You just don't see what the future will bring.

You are having some trouble with your oldest son, who is 14. He is very smart, but is frustrated with school because he cannot learn many of the things in which he is interested. The schools do not have the proper books or other materials to have any variety in the curriculum. He is particularly interested in learning about the rest of the world. He spends a lot of time looking for magazines about western life.

Your marriage is becoming more and more difficult because life is so hard. Sometimes you wish you could just "get away from it all" for a while and renew your family relationships. Other times you wish you could just do some things at home that would make life a little more pleasant and easier to bear.

Your thoughts on spending the money include:

1. Because I never expected to have this money, I should do something that I never expected to be able to do. Whatever it is that I do, I want to benefit from spending the money for a long time.

2. I could buy a number of small things that I want or need, and put some of the money in savings. Even though it will lose some value, it would be nice to have a "nest egg" in case of emergency. Some of the things that I want or need are: a new stove, a larger refrigerator, new winter coats for the entire family, more treats for the children than I can now afford.
3. I could make a large purchase that would make my life a little bit easier right now, such as using the money to buy into the cooperative building two blocks from my job. It would be very nice to have a two block walk to work instead of the one and one half hours on the train and bus that I currently endure every day.
4. Another large purchase might be an automobile. Then I could drive to work, and the commute would only be three quarters of an hour. I would have the use of the car for things other than work, and I might even be able to earn some extra money driving for other people.
5. I could give my 14 year old child a good opportunity. I have read about an exchange program for teenagers, of one year of schooling in another country. All I have to pay is the airfare, and for clothing, and my child would go to either Germany, France or England to live with a family. The child would attend school, and would learn another language, and have a wonderful cultural adventure. This could even be helpful to him for the rest of his life, who knows?
6. I could provide the whole family, myself, my spouse and all three children (ages 7, 10, & 14) with a long trip to a nice vacation spot for two weeks. We would all be able to relax and have a good cultural experience. There would be plenty of money to not only stay in a nice hotel, but to go on all sorts of tours and to restaurants.
7. A friend of mine is beginning a new privatized business. He is looking for some investors in a property management company so that he has a supply of cash to help him through the first two years of work. I could invest my money in that business, or I could find another business to invest in. Your friend promises to give you a portion of his profits each year in return for any investment you make.
8. You have seen some new homes that are being built outside of town. They are one small building that houses one family. Families have purchased the land and built and own the homes. They have gardens, and space for children to play outside. You have considered doing the same.

After a lot of thought you have decided on several goals you have for yourself and your family which must be met by spending the money. List them here in order of priority:

In addition to the things you want several additional benefits for yourself and your family from spending the money. List them here in order of priority:

In view of your goals which of your options meets your first priority? Second priority?

In view of the benefits you want which of your options meets your first priority? Second priority?

Are their negative consequences from any of these choices serious enough to cause you to consider making a different choice?

What is your final choice?

TO CONTRACT, OR NOT TO CONTRACT?

Exercises in Financial Analysis and Budgeting

Regardless of what type of entity you represent, a Condominium Association, a Municipal Government, a private business, or even an individual household, the entity has needs, and generally has resources which must be allocated to address those needs.

The entity must use its resources to pay for fixed monthly expenses. Fixed expenses are those which must be paid on a monthly basis, such as rent and utility charges. Often these amounts are the same each month; sometimes the amounts fluctuate.

If the entity has money left over after fixed expenses are paid, then decisions should be made how to use the excess funds. These funds may be put into savings, or may be used to pay for "discretionary" items.

Determining Uses of Discretionary Income

The entity should make a list of priorities for spending discretionary income. (Setting priorities was the topic of the previous section). The entity may need to do research in order to determine the approximate cost of these priority items. Priorities may have to be revised depending upon their relative costs and degree of urgency. For instance, a Condominium Association may decide to modify its heating system in order to increase energy efficiency and lower utility bills. Although the initial expenditure would be quite high, the Association would save money over the long term due to a decrease in utility costs. However, the roof may have sprung a leak. Deferring repair to the roof would cause structural damage to the building, ceiling damage, and other problems. The Association might decide to defer modifying the heating system in order to pay the relatively low cost of repairing the roof. This is not necessarily because the cost of the roof repair is lower, but because if they defer the roof repair, it might end up being more costly relative to the savings gained.

If the entity knows how much discretionary income it should have during an average month, and how much the items on its priority list cost, it can formulate a plan to address these items.

EXERCISE 1

Choose an entity (Condominium Association, business, department, household, etc.). List all the sources (and amounts) of income:

List all the types (and amounts) of fixed expenses:

Subtract the amount of fixed expenses from the total income. How much, if anything, is left over?

If nothing is left over, or if there is not enough income to address fixed expenses, what are possible additional sources of income?

Let us assume that there is money left over after fixed expenses have been subtracted from income, list in order of priority on which items you would spend these funds?

Maximizing Income and Reducing Expenses

It may be that the priority items cost more than the money you have available at the end of the month. This situation may be addressed in several ways.

- The entity could save its surplus funds each month until it has enough money to address the items on its priority list;
- It could seek to reduce its other expenses; and
- It could seek to increase its revenues.

Should it decide that saving surplus funds is a reasonable option, the entity should be able to determine how long it would take to accumulate the required sums. There may be certain expenses that may be reduced or cut altogether. It may be possible to obtain additional revenue from a special source for one particular instance (such as when a Condominium Association charges its members a special assessment). Or it may be possible to increase continuing revenues slightly (such as in the implementation of a rent increase in an rental apartment building).

How can costs be reduced in order to increase available funds which may be put to other uses? Let us use the Condominium Association as an example.

Exercise 2

- a. In the following table, in the left-hand column, list all of the services that are performed in the building. Include items such as cleaning of the common areas of the building, servicing the elevator, repairs to the heating system, electrical repairs, etc.

b. In the second column, enter the name of the person or company which is providing the service.

c. In column 3, enter the cost of the service.

d. In column 4, enter the name of any possible alternatives to the service provider which is being used. Individuals who live in the building could be used, especially those who have particular skills. Perhaps individuals would donate their time or provide services at reduced costs.

e. In column 5, enter the approximate sum the alternate service provider would charge for the service.

Type of Service	Service Provider	Cost	Possible Alternates	Cost

Questions

1. What expenses can be reduced?
2. How much money was saved?

CONTRACTING FOR SERVICES

Just as all entities have sources of income and expenses, they all have jobs to be done or services to be provided. This is true of all businesses, governments, schools, public or private

institutions, and households. One of the entity's greatest challenges is to determine what services are to be provided and by whom. Decisions have to be made regarding how to get the best work done at the most reasonable price, and whether or not the least expensive alternative necessarily the best alternative.

For the provision of certain services, sometimes the best alternative is to use an outside contractor. Outside contractors may have the expertise, accessibility to information, technology, or goods, that an employee, household member, or Condominium Association member may not have. The contractor's fees might be costly, and the entity must decide whether or not incurring the cost makes financial sense.

Exercise 3

The K family lives in a small house. Recently, a plumbing problem has developed. Frequently, there is a sewage back up and the toilet overflows. This is an annoying problem and the bathroom floor is starting to deteriorate due to the water damage.

Mr. and Mrs. K have discussed the problem. The possible solutions are as follows:

1. Mr. K has some mechanical aptitude. He tried to fix the problem, but was not successful. Perhaps he could make another attempt. This would certainly be the least costly alternative.
2. Mr. K's cousin S works on a municipal maintenance crew. He sometimes performs plumbing jobs in the evenings and on the weekends. He might repair the Ks plumbing problem at a reduced rate. However, he does not own a lot of plumbing equipment. If the problem is not complex, he would be able to make the repairs with the equipment he has, but if the problem is not a simple one, S may not have the proper equipment.
3. The Ks could contract with the municipal maintenance firm. The firm has the proper equipment and competent workers, but charges high prices.
4. The Ks recently heard about a new private plumbing business. The Ks know nothing the firm, however, neither the quality of work nor the fees the firm charges.

Question

If you were Mr. or Mrs. K, how would you decide who should do the work?

An entity, in deciding whether or not to use an outside contractor to perform a certain service, should determine if an employee, household member, etc. has the skills, equipment and time to perform the work. If no one has the skills, then an outside contractor must be used. If someone in-house has the skills to perform the work, but equipment would have to be rented, the cost of the equipment rental must be considered. It may be less costly to have the in-house person perform the work, even with the cost of the equipment rental. It may, however, be less

costly to hire an outside contractor. If in-house people have the skills and equipment, but not the time to perform the work, then a decision has to be made about the best use of their time.

Role Play

The Board of the Condominium in the Grand Apartment Building has decided to contract out the painting of the doors, walls, ceilings and trim in hallways. It has been 10 years since they have been painted. The specifications call for:

- Washing down of surfaces
- Replastering, patching, caulking were needed
- Priming of bare surfaces
- Two coats of paint
- The grade of paint is specified
- The job must be completed within 90 days.

Three bids have been received. All of them are within an acceptable range based on the independent estimate that ABC developed. The bids are all for a fixed price.

Mr. Middle Range - Addressed all of the specifications. Cost is 5% below ABC's budgeted amount, between Mr. Low and Ms. High. Reference checks are good.

Mr. Low Bid - Submitted the proposal for the lowest cost (15% below ABC's budgeted amount) but condo board has serious doubts about the quality of work and think the scope of work was under estimated in the bid. Reference checks are mostly good but some are mediocre.

Ms. High Bid - Submitted the highest cost proposal but the evaluation process rated it the best quality. The cost is 5% higher than ABC budgeted. Reference checks are excellent.

Break into 4 groups. Group 1 plays the role of the condo board. Groups 2-4 play the roles of the bidders.

1. What kinds of questions will the board ask the vendors? Common questions? Questions unique to each bidder?
2. How will the vendors respond?
3. What will each vendor offer or propose to do to make their bid more competitive in cost and quality? What is their best and final offer?
4. What areas might be negotiable for the owner? Each vendor?
5. What kind of monitoring system will be developed to assure performance?
6. How and when is payment wanted by the bidder? Should the condo board do it?
7. Will the condo board assess penalties if job is not completed according to specifications and on time.

**QUESTIONS TO ANSWER
BEFORE DRAFTING A CONTRACT**

1. What are the names and addresses of the parties?
2. What is the service to be performed?
3. How would you describe these services in a way that would be clearly understood by the Contractor?
4. Where are the services to be performed?
5. When should the work be started and completed?
6. By what criteria is the contractor's performance to be judged?
7. Who is to control when, where and how the work is to be performed?
8. Are the services regulated by any municipal, oblast, or national laws?
9. What are the parties' rights of termination in the case of default?
10. How much should the service cost?
11. What is the desired manner of payment?
12. Which party is responsible in the case of damage or injury? What are the terms of this responsibility?
13. What kind of attachments to the Contract are necessary?
14. How detailed should the specifications be?
15. How should changes to the Contract be handled?

KEY ELEMENTS OF CONTRACTS

NAMES AND ADDRESSES
OF PARTIES

LOCATION WHERE
WORK IS TO BE PERFORMED

EFFECTIVE DATE

SCOPE OF WORK

CONTRACT AMOUNT

PAYMENT TERMS

TERMS OF FINAL PAYMENT

ATTACHMENTS:

Specifications
Architectural Drawings
Insurance Documents

OWNER'S RESPONSIBILITIES

CONTRACTOR'S RESPONSIBILITIES

PROVISIONS FOR SUBCONTRACTORS

MECHANISM FOR MAKING CHANGES
TO CONTRACT

COMPLETION DATE

SAFETY ASSURANCES

TERMINATION CLAUSE

SIGNATURES

SAMPLE SERVICE CONTRACT

Contract made _____, 199___, between _____ (herein called "Association"), and _____, having its principal place of business located at _____ (herein called "Contractor")

WITNESSETH:

Whereas Association is a group of condominium owners who own all of the apartments in the building located at _____, and Association desires to have the following services performed by Contractor at the building; and

Whereas Contractor agrees to perform these services for Association under the terms and conditions set forth in this Contract;

Therefore, the Association and the Contractor agree upon the following:

1. Description of work. _____

2. Payment. Association will pay Contractor the total sum of _____ for the work to be performed under this Contract, payable as follows:

3. Control and rights of parties.

a) *Independent contractor status.* The parties to this Contract intend that the relation between them under this Contract is that of an Association and independent contractor. No agent or employee of the Contractor shall be deemed as an agent or employee of the Association. The Association is interested only in the results obtained under this Contract; the means of conducting the work are the sole responsibility of the Contractor. Contractor will be solely responsible for his acts and for the acts of his agents, employees, and subcontractors during the performance of this contract.

b) *Control of work and workers.* Contractor shall have sole control over the manner in which the work is performed under this Contract. Contractor shall direct the performance of all workers and subcontractors.

c) *Supervision by Contractor or his representative.* Contractor will be responsible for and will superintend the execution of all work covered by this Agreement, either personally or through a representative. If Contractor uses a representative, Contractor agrees that the representative shall be competent and qualified and with full power to act for Contractor in all matters pertaining to this contract.

d) *Employment of workers by Contractor.* Contractor shall furnish qualified and experienced _____ to carry out the services to be provided under this Contract; and shall, at all times, enforce strict discipline and maintain good order among the workers performing the work. The Contractor shall make certain that workers observe all reasonable fire prevention, safety and health regulations in the Association's building. Contractor is responsible for paying his employees and subcontractors.

e) *Contractor to furnish materials.* Unless otherwise specified in this Agreement, Contractor shall furnish all labor, materials, equipment, and tools necessary for the performance of work under this Contract.

f) *Contractor's responsibility for use of Tools and Equipment.* Association shall not be held responsible for any injury or damage to persons or property resulting from the use of any equipment used by Contractor in performance of this work. The use of such equipment and acceptance of this Agreement means that Contractor has certified to the safety of the equipment and accepts full responsibility for its uses. Contractor agrees that the Association will not be held responsible in case of damage or injury caused by use of this equipment.

4. **Indemnification of the Association.** The work to be performed under this Contract is to be performed at the Contractor's risk. Contractor will not hold the Association responsible for any loss which occurs as a result of the performance of this Contract.

5. **Duration and termination.** The terms of this contract are from _____, 199__ to _____, 199__. Either party may cancel this Contract as of the ending date, or by giving the other party ___ days written notice. Association and Contractor may agree to extend the ending date but must do so in writing.

SIGNATURES

ASSOCIATION

CONTRACTOR

Name and Title

Name and Title

COMMENTARY ON SAMPLE SERVICE CONTRACT

This sample Contract is written for use when Condominium Associations contract for a particular service. It is appropriate to use this type of contract for jobs which do not have a large scope of work and which do not involve large sums of money. It is a simple, straightforward contract which provides adequate protection to both parties. It has a short section into which the scope of work is to be inserted (Section 1). It also defines the responsibilities of both parties.

Section 2

The terms of payment should be inserted. As explained in the Commentary to the Contract Between Owner/Individual/Municipality and Contractor for Construction/Maintenance/or Similar Work, payments may be spread over a period of time.

Section 3.a

This section clarifies the relationship between the Association, the Contractor and the Contractor's employees. This is important because the Association should not have to be responsible for the employees of the Contractor - for paying them, for ensuring their safety, etc.

Section 3.d

The skills and specialties required of the workers should be inserted into this Section.

SAMPLE CONTRACT

**CONTRACT BETWEEN OWNER/INDIVIDUAL/
MUNICIPALITY AND CONTRACTOR
FOR CONSTRUCTION/MAINTENANCE/
OR SIMILAR WORK**

This agreement is made as of the _____ day of _____, 199____ between the Owner:

Name: _____

Address: _____

Telephone Number: _____

and the Contractor:

Name: _____

Address: _____

Telephone Number: _____

The address where the work is to be performed is: _____

SECTION 1 - SCOPE OF WORK

a. The Contractor shall perform the entire work described in the attached specifications, except for portions of work which this contract states are to be the responsibility of another party, or as listed below:

SECTION 2 - COMMENCEMENT AND COMPLETION DATES

a. This contract will commence on the date specified as the date of agreement shown above or at the date shown below:

b. The work specified above in paragraph 1.a shall be substantially completed by the following date:

subject to any adjustments provided for in this document or its attachments.

SECTION 3 - CONTRACT SUM

a. The owner shall have to pay the contractor for the work performed under the Scope of Work in this contract the sum of _____, subject to any additions and/or deductions appended to this document in writing.

b. If there is no fixed fee for the work to be performed by Contractor, the contract sum is based upon the following variables, which are described more fully in an attachment to this document.

c. If contract is to be partially or fully based on prices for goods, the per unit prices are as follows:

SECTION 4 - PAYMENT SCHEDULE

a. Invoices for payment shall be submitted to the owner by the Contractor on a (choose one: weekly, bi-weekly, or monthly) basis as work specified in the contract is completed. Owner shall make payments to the Contractor in the following sums on the following schedule:

b. Payments due and unpaid more than _____ days under the Contract shall bear interest at the rate of _____ from the date that the payment is due.

SECTION 5 - FINAL PAYMENT

a. The final payment under this contract, the entire unpaid balance owed to the Contractor, shall be made by the Owner to the Contractor when the work has been completed in a satisfactory manner and the Contractor submits a final invoice to the Owner.

SECTION 6 - CONTRACT DOCUMENTS

- a. The Contract documents attached to this Agreement are listed below:

- b. The specifications for the work to be performed under this Contract by the Contractor are as follows:

- c. The following is a list of drawing attached, and are dated _____.

SECTION 7 - CONTRACT DOCUMENTS

- a. The intent of this contract is to include all items necessary for the proper performance and completion of the work by the Contractor. The required performance of the contract is that which is consistent with all of the Contract documents.

- b. The relationship governed by this Contract is solely that between the Contractor and the Owner.

- c. If the Contractor signs the Contract, this signifies that the Contractor is familiar with the conditions under which the work is to be performed.

- d. The term "Work" means all services required of the Contractor to fulfill the obligations of the Contract, including labor, materials and equipment, unless otherwise specified in this document.

SECTION 8 - THE OWNER

- a. The Owner will provide information regarding the job and the job site to the Contractor.

- b. If the Contractor does not perform the work in accordance with this Contract, or if the Contractor fails to correct work which is performed in accordance with the Contract, the Owner may order the Contractor to cease work through a written order. Contractor will cease work until the cause for this order has been corrected.

SECTION 9 - CONTRACTOR

- a. The Contractor will supervise, direct, and/or perform the work as diligently as possible. The Contractor shall be solely responsible for the method in which the work under the Contract is performed unless otherwise specified in the Contract Documents.

- b. The Contractor shall enforce discipline and order among the Contractor's employees, and shall employ persons who are adequately skilled to perform their assigned tasks under the scope of this Contract.
- c. The Contractor ensures that the work performed under this Contract will be of good quality and that the methods and materials used are those which are specified in the Contract Documents, unless mutually agreed upon in writing by the Owner and the Contractor. If due to the Contractor's use of improper materials and/or methods a defect in the work is caused, the Contractor will remedy defects in a manner consistent with the original specifications for the work.
- d. Contractor will perform the work designated in this Contract in a manner consistent with applicable municipal, oblast, and national laws.
- e. Contractor shall be responsible to the Owner for any actions on the part of Contractor's employees or subcontractors.
- f. Contractor will keep the work site neat, tidy, and free from accumulation of waste materials, rubbish, and other debris caused by the performance of the work.
- g. Contractor shall provide the owner and owner's representatives access to the site where the work specified in this Contract is being performed.
- h. Contractor will not hold the Owner responsible for any accident, injury, sickness or death which occurs while performance of the work specified in the Contract.

SECTION 10 - SUBCONTRACTS

- a. A Subcontractor is a person or entity with whom the Contractor contracts directly to perform some of the work specified in these Contract documents.
- b. Contractor shall furnish the names of all subcontractors who will be used on the job prior to commencement of work. Owner has the right to object to any subcontractor if there are reasonable grounds for doing so.
- c. Contractor is responsible for paying subcontractors.

SECTION 11 - CHANGES IN THE WORK

- a. The Owner may request additions, deletions or changes to the work to be done without invalidating the Contract. The cost and period of time for the performance of the work may be modified to reflect any changes made. Changes to the Contract must be made in a written document which must be signed by both the Owner and Contractor.

SECTION 12 - TIME

- a. The time limits set forth in this Contract must be followed unless mutually agreed upon in writing by both the Owner and the Contractor.
- b. If the Contractor is delayed in the performance of work in connection with this Contract for reasons beyond the Contractor's control, Owner shall be notified of these reasons immediately. Suitable adjustments shall then be made to the time limits.

SECTION 13 - PAYMENTS AND COMPLETION

- a. Payments shall be made to the contractor as set forth in Sections 3, 4 and 5 above.
- b. Payment may be withheld in the following cases:
 - (1) If defective work is not corrected;
 - (2) If the Contractor causes damages to the Owner's property;
 - (3) If the work will not be completed during the time limits; or
 - (4) If the Contractor persistently did not carry out the work in accordance with these Contract documents.
- c. The work is complete when the Owner agrees that the work is complete. The owner will certify this in writing.
- d. Final payment for the work will only be made if the Owner is reasonably satisfied with the work which has been performed by the Contractor.
- e. Once the final payment is made, the Owner will no longer hold the Contractor responsible for the work which has been performed under the scope of this Contract unless the Contractor has specifically guaranteed the work.
- f. If the Contractor accepts the final payment from the Owner, the Contractor acknowledges that the Owner has no other financial obligations to the Contractor.

SECTION 14 - SAFETY

- a. The Contractor shall be responsible for maintaining safe conditions at the site where the work is to be performed. The Contractor shall try to ensure the safety of Contractor's employees, job materials and equipment, and the job site.
- b. Contractor will comply with applicable laws on safety.
- c. Contractor shall not be required to use unsafe materials.

SECTION 15 - INSURANCE

a. Contractor shall purchase and maintain insurance coverage as customary or as required by law.

SECTION 16 - CONTRACT TERMINATION

a. If the Owner fails to make a scheduled payment to the Contractor within 30 days of receipt of an invoice, the Contractor may give seven days' written notice to terminate the Contract. Contractor may be compensated for all work performed until the Contract was terminated, which may include costs of labor, materials, tools and equipment.

b. If the Contractor does not perform the work described in this Contract, persistently fails to perform the work in a manner specified by the Contract, or fails to comply with one or more provisions of the Contract, Owner may give the Contractor seven days' written notice of termination of the Contract. If the Contractor does not remedy any of the noted deficiencies within seven days of the written notice, Owner may terminate the Contract. Owner must compensate for any unpaid balance of the contract, less the cost of having the work finished by another contractor. If the cost of completing the work is greater than the unpaid balance of the Contract, the Contractor shall pay the difference to the Owner.

SECTION 17 - OTHER CONDITIONS

SECTION 18 - SIGNATURES

This Agreement is entered into as of the day, month and year stated on the first page.

OWNER

CONTRACTOR

Signature

Signature

**COMMENTARY ON
CONTRACT BETWEEN OWNER/INDIVIDUAL/
MUNICIPALITY AND CONTRACTOR
FOR CONSTRUCTION/MAINTENANCE/
OR SIMILAR WORK**

The Contract discussed in this section is one which can be used for construction, maintenance work, or any related type of work. It should be used for jobs or scopes of work which are fairly complicated and costly. In these situations, it is important that the Contractor and the entity which is letting the Contract are clear on the nature of the work to be performed, what is expected from the Contractor in terms of performance, and what is expected from the Owner.¹

The Contract is designed to protect both the Owner and the Contractor equally. The relationship between the two parties should be one of cooperation; the Owner wants to have some work done, the Contractor wants to perform the work and make a profit. In order for both parties to be satisfied, both sides should work together to ensure that the work is performed well at a reasonable price.

Misunderstandings between the two parties can be avoided through effective communications. Effective communications result from a clear delineation of responsibility:

- Who is responsible for what?
- What is the work to be done?
- Where is the work to be performed?
- When is the work to be commenced? to be completed?
- How is the work to be performed? how much will it cost?

If clear answers to these questions exist in written form, numerous disputes about the work can be avoided.

Below are explanations of various passages in the contract:

Section 1.a

The scope of work should be inserted here. The Scope of Work is a brief description of the work.

¹The contract can be used between Contractors and Condominium owners, individuals, municipalities and others. The word "Owner" can be substituted with the appropriate person or entity.

Example 1: Complete painting of the exterior of three buildings. All previously painted surfaces are to be painted including wood fences, galvanized metal, outsides of doors and frames.

Example 2: Rehabilitation of kitchen. Includes removal and disposal of cabinets currently in place, counter top and sink, and removal of linoleum floor. Installation of new kitchen cabinets, counter top and sink, plumbing fixtures. Replacement of linoleum floor. Stove and refrigerator belong to owner and will be moved during renovation and reconnected when work is completed.

Section 2.a

If the work is to commence under the Contract as of the effective date of the contract (the date on which the Contract is made between the two parties), then this section is to be left blank. If the work is to commence on a later date, this date should be inserted into this section.

Section 2.b

The date by which the work should be completed should be inserted here.

Section 3.b

If the work will not be done for a fixed price, the basis upon which the price will be determined must be inserted here.

Example 1: (Contract is for the replacement of apartment doors). For replacement of 0 - 5 doors, the cost of the removing the old doors, the new door and installation is X per door. The cost to provide the same services for 6 - 10 doors is Y per door.

Example 2: The cost for a new door is X. The cost for a new door, plus removal and disposal of the old door and installation of the new door is X + Y.

Section 3.c

This should reflect the per item price for goods or materials only.

Section 4.a

Sometimes contractors are paid in advance for materials, with the balance of payment made when the work is completed. Contractors may also be paid at certain intervals, such as when a certain percentage of work is completed. Such payments are usually called "Progress" payments, as they are tied to the level of progress that has been made.

Section 4.b

In many countries, it is not uncommon for Contractors to charge interest on payments which are not made according to schedule.

Section 6.a

The types of documents that commonly are attached to Contracts are:

- Specifications. Specifications are very detailed descriptions of the work to be done. Specifications usually include the method of work and type of materials to be used. Often, measurements of a particular building, part of a building or area are provided. The required quality of workmanship is often discussed as well.
- Evidence of insurance
- Architectural drawings
- List of subcontractors

Section 11.a

This section is important because it prevents misunderstandings between the parties by requiring any changes made in the work to be mutually agreed upon in writing.

Section 13

This section describes when it is acceptable for the Owner not to pay the Contractor, and when this is unacceptable. A good Contract provides equal protection for both parties.

Section 15.a

Types of insurance which may be required (1) that which covers Contractor and contractor's employees in case of injury, (2) business insurance, (3) liability insurance. Obviously, if these types of insurance are not used or are not commonly used in the Urals and Western Siberia, then mention of insurance is not necessary.

Section 16

Termination of a contract should only be evoked in case of serious consequences: if an owner will not or cannot pay the Contractor, or if the Contractor repeatedly does not perform the work as specified in the Contract, and refuses to remedy mistakes. Sometimes a situation becomes so serious that there is no real alternative to terminating a contract. However, this option should only be exercised after both parties have made great effort to resolve their differences.

Section 17

If any other conditions need to be included in the Contract and are not included in any other section, they should be inserted in this section.

I. PLANNING FOR PROCUREMENT

The success of a maintenance program relies heavily on the identification and procurement of the supplies and contracted maintenance services necessary to complete tasks in a timely and cost effective manner. This means planning well in advance for the services and goods intended to be procured. The planning process and definition of needs can be done in conjunction with the annual budget process.

A. Defining and Projecting Needs

- . Review and analyze maintenance requests and the preventive maintenance program to determine skills and goods required to complete the projected maintenance needs.
- . Assess the skills available on staff and compare to need. Define possible areas where procurement of contracted skills may be needed and the availability of vendors providing such services.
- . Assess current inventory and based on janitorial, preventive maintenance, and corrective maintenance history. Project goods and equipment that will be needed.
- . From the list of procurement requirements, determine what type of procurement is best suited to meet each need.
 - One-time purchase of goods is generally used when an infrequent need is identified, such as the purchase of special equipment.
 - Indefinite quantity purchase of goods is used when supplies are needed on an on-going, regular basis. Arrangements are made with a vendor to supply goods on a regular schedule (e.g., monthly) or on an as needed basis. Examples include items such as janitorial supplies, electrical fuses, etc.
 - One-time purchase of services is used to fill a special maintenance need that is not continuous in nature. Typical examples include work such as roof replacement, exterior building painting and parking lot repairing.
 - On-going purchase of services is generally used when a routine maintenance function can be performed more cost effectively by a contractor. Example of this might be grounds maintenance or extermination.

- . Established a procurement budget based on assumptions of need and estimated cost. If available rubles don't permit full funding of budget projections, the needs may be prioritized in order of most critical to least critical.
- . Designate staff responsible for initiating and authorizing procurements, obtaining bids and selecting vendors, monitoring vendor performance, and approving payments.

II. THE PROCUREMENT PROCESS

Procurement for both goods and services follows the same general cycle:

- . Planning and budgeting procurement
- . Approving procurement
- . Tracking against the budget
- . Estimating cost
- . Developing specifications
- . Identifying sources
- . Soliciting quotations/negotiations
- . Selecting vendor
- . Accepting delivery/approving payment

A. Setting-Up a Procurement System

The procedures and policies developed for procurement are influenced by staff organization, the kinds (services and goods) and value of the purchases to be made, and the desired level of control over the procurement process. The most common methods of purchasing for property management companies are:

- . Development purchase and central payment - The development orders goods and services directly from a vendor. The vendor submits an invoice to the development for the manager's approval. The manager forwards the invoice to the central accounting office for payment to the vendor.
- . Development purchase and payment - The development is authorized to purchase goods and services. Generally there is an authorized limit established which may not be exceeded for each purchase. For example, purchases of 1,000,000 rubles or less may be done on-site; any purchase in excess of 1,000,000 rubles must be authorized and processed centrally. Control is exercised by requiring the development manager stay within budget and purchase limitations.

- Central purchasing - The chief of maintenance or the development manager sends a purchase requisition to a central purchasing office. The central purchasing office issues a purchase order to the vendor who supplies the goods or services directly to the development. The development signs for delivery and the central purchasing office pays the vendor being sure the purchase order, vendor invoice, and signed delivery ticket all match. The advantages of central purchasing are: greater control over expenditures; goods and services may be less expensive if central purchasing orders in quantity from a selected vendor and; vendors are dealing with one purchasing agent rather than several developments. The disadvantage is that the centralized process is time consuming and can become insensitive to the special requirements of each development.

B. Developing Specifications

The purchase requirements for both goods and services must be clearly spelled out. Failure to be specific may result in the delivery of unusable or the wrong goods or, in the case of contracts for services, unmet expectations and performance.

- Specifications for goods should include:

- Quantity required
- If goods from only one producer/manufacturer are satisfactory, specific type of good including manufacturer requirements, model numbers, quality (e.g., General Electric replacement coil type burner for model number JKSPE07 Stoves.)
- If goods from several producers/manufacturers are acceptable, identify quality requirements or identify one brand name and specific product as the standard to be met.
- Delivery/shipping requirements
- Warranty requirements
- Provisions for replacement of faulty goods
- Time requirements for delivery
- Penalties for non-performance
- Purchaser's normal payment procedures

- Specifications for services are generally written into a statement of work that should include the following:

- Detailed tasks to be performed
- Expected performance standards
- Required completion dates or other timing or frequency requirements

- Anticipated type and amount of equipment and materials needed to complete the task
- Estimate of the amount of time involved (if applicable)
- Type and qualifications of personnel necessary
- Any equipment, materials and personnel supplied by the purchaser
- Any required coordination with purchaser or other vendor activities

When the specifications are completed they are combined with other contract requirements and information into a Request for Proposal (RFP) which is given to potential vendors who respond with proposals.

C. Identifying Sources

- . Generally it is to the buyer's advantage to have multiple sources who can supply requested goods and services. However, with an economy in transition multiple sources may not always exist.
- . The potential vendors may be identified and notified by:
 - Publishing notices or advertising buyer needs
 - Talking to other property managers
 - Industry lists of suppliers
- . When few or no sources exist, they may have to be developed. Eventually demand will stimulate supply. In the interim, the buyer may have to be creative and take some risks to develop sources of supply. This may include:
 - Procuring services which places the burden on the vendor to provide materials and supplies. For example, if the maintenance department cannot procure lawnmowers to cut grass, then it may be more effective to contract out the job and have the vendor supply the lawnmowers, fuel and other tools to complete the job.
 - Helping a business get started by guaranteeing a certain volume purchase of goods or services if the vendor can produce them.
 - Pooling the procurement needs of several developments to increase buying power and justify extraordinary effort to find supply sources and arrange shipment.
 - Assisting in the development of joint ventures between foreign producers and Russian vendors.

D. Competitive Bidding and Selection

- Competitive bidding is not a method of purchasing, but a process used to select suppliers or contractors before the purchase is made. The competitive bidding process means soliciting bids from several sources, evaluating each proposal and awarding the contract. The goal is to attract qualified vendors and to award contracts based on the best price, quality and quantity.
 - Evaluation of bidder proposals is based on a set of criteria that clearly states what factors will be considered in making a selection. Criteria usually include the following general categories:
 - quality of the goods or known capability of the service contractor price
 - experience of the service contractor or supplier of goods
 - references on contractor or supplier past performance
 - Criteria can be quantified by assigning quantitative measures to each of these criteria. Assigning a numerical weight to each criteria allows for variation in the importance the buyer places on each of the criteria.
 - An independent estimate made by the buyer prior to reviewing proposals is helpful. This gives the buyer an idea of what a product or service should reasonably cost and provides a starting point if negotiations are necessary. The estimate should include all vendor costs, including:
 - labor
 - materials
 - overhead and general and administrative expenses of the vendor
 - profit
- Note: An estimate must also be done during the early stages of procurement planning and budgeting.
- If one or more proposals receive high evaluations the next step is to negotiate the contract. If negotiations involve more than one vendor it is a good opportunity to negotiate for a more favorable price. The greater the competition the better the negotiating position for the buyer.
 - Negotiations are usually held only with vendors in the “competitive range” of quality and price. These vendors are often offered an opportunity to make a “best and final offer.” The buyer then makes a selection.

E. Accepting Delivery

- . Prior to payment, the delivery of service and/or goods must be accepted by the designated staff member.
- . For goods this generally means checking what was delivered against what was ordered and what was billed; the checking includes both quantity and quality.
- . Accepting delivery of services requires a more comprehensive approach. The performance of a contract for services may involve multiple tasks and extend over a long period of time. A monitoring system must track delivery, identify actual problems and alert the buyer to potential problems before the contract is completed. (See monitoring, Section IV

MONITORING CONTRACT PERFORMANCE

When a contract is signed, it is the intent of both parties to perform their respective obligations. However, not all contracts are performed according to specifications or other terms and conditions within the required time. Poor performance or late deliveries may cause costly delays. Effective contract monitoring will help ensure that desired goods and services are delivered on time and comply with the specifications of the contract. Development of monitoring systems is influenced by the nature and amount of the procurement. The following elements may be included in a monitoring system.

- Designation of both a staff member responsible for monitoring performance and the vendor personnel responsible for delivery. Accountability and communication are key to successful performance.
- Progress and other monitoring reports required by a buyer's normal monitoring procedures or by the contract itself often provide early warning signs of potential changes, delays, or other problems in contract performance. Written data from the vendor may, however, be difficult to obtain unless it is specifically required by the contract.
- Periodic inspections is an effective method for assuring that contract specifications are being met. For example, a contract for the installation of a new roof may require periodic inspection to assure that the correct methods and materials are being used and that completion dates will be met.

PROBLEM ISSUES

A. Performance Problems

- Performance problems occur when a vendor/contractor fails to deliver the goods or services in the manner prescribed in the statement of work in the contract. Examples include:
 - Failure to deliver on time
 - Costs that greatly exceed the estimates on a cost-reimbursement contract
 - Delivering of inferior supplies or services
- Potential performance problems can be minimized by clear contract language and an effective monitoring system which tracks delivery and costs during the performance period.

- Serious performance issues which can not be resolved or negotiated between the buyer and the vendor may result in a stop work order, cancellation of the contract or a contract adjustment.

B. Change Orders

- Change orders may occur at any time during the life of a contract and may be initiated by the buyer or vendor. They are a change in the terms and conditions of the contract.
- The buyer may make changes to clarify contract requirements based on revised needs or estimates or to add work items.
- The vendor may request changes if he finds the job requires more time and or money to complete satisfactorily. Example: A roofing contractor bid to replace roof shingles on a building. In the course of replacement he discovers that the sub-roof has rotted and needs to be replaced. This is an unanticipated problem not covered in the original contract. The contractor and buyer then negotiate a change to the contract to address the problem.

C. Underbidding

- In the competitive bidding process, bidders may intentionally underbid a contract in hopes of being low bidder and winning the contract. Often underbid contracts require change orders in order to be successfully completed. The results is that the final cost is no less, and in some cases more, than the other bids that were originally received.
- Caution should be observed when a bid is significantly lower than the others received. The buyer should be sure that the quality and type of materials, supplies and personnel meet contract specifications. Developing an independent estimate of contract cost prior to complete bidding will give the buyer a range of anticipated cost so that vendors who underbid can be identified and rejected.

Good Monitoring

- Is built on agreements made as a part of the contracting process, and is tied to the performance of those agreements. It is not a surprise.
- Is a "two way street." You're open to be checked with, as well as to be the "checker."
- Is regular, consistent, and timely.
- Focuses on more than "when." Deadlines are relatively easy to monitor. What about quality?
- Is planned.

KEY ISSUES TO THINK ABOUT WHEN PLANNING FOR MONITORING

1. Review your assessment of the contractor's ability to do different tasks.
2. What do you want/need to know?
 - * What few things will indicate that satisfactory work is being done?
 - * What do you really need to know to feel "reassured? "
 - * What are others' needs for information and reassurance?
3. How will you find out?
4. When will you find out?
5. How and when will you discuss your approach to monitoring with the person whose work is being monitored?

Steps for Planning and Conducting a Performance Feedback Discussion

Planning:

1. Review task agreement/standard of work you have set with the employee.
2. Identify and list specific examples or incidents, both positive and negative, you wish to discuss. Be clear about the performance issue you want to address.
3. Plan what you want to say and arrange the key points in the order in which you wish to discuss them. Make notes, if necessary.

Feedback Discussion:

1. Set the climate for the discussion.
2. Review the task agreement or standard of work with the receiver.
3. Give the specific examples or incidents and discuss them with the receiver. You want the receiver to acknowledge that the example or incident actually occurred and hear her/his thoughts about the situation. You want to be clear about the performance issue involved.
4. Check for understanding by asking the receiver to paraphrase what she/he has heard and understood up to this point.
5. Development new agreements through joint problem solving. To the extent possible, you want the receiver to offer solutions to the problem. As a last resort, you may offer solutions or establish the new agreement.
6. Ask the receiver to summarize key points and you add anything of significance that was left out. Depending upon the thoroughness of the summary, you may want to conclude by sharing your expectation that the work will improve and/or the situation will change in the future.

CONFLICT RESOLUTION

1. Conflict is a by product of the decision making process. It is a normal human activity and can be caused by :

- differing expectations
- differing opinions
- differing values
- differing goals
- decision making styles
- miscommunications
- personality differences
- differences in perspectives
- differences in cultures.

In short, it is the result of competition or opposition or divergent opinions resulting in no agreement. Therefore it is important that there is a process for managing and resolving the conflict.

2. Conflict, according to Spiegel and Torres (see sources below), can be described as a dysfunctional reaction, the result of poor communication and lack of trust, and best managed by avoiding it,

or it can be described in terms of human relations as inevitable, and therefore one needs to learn to manage it,

or it can be described as a potentially useful part of interpersonal experience.

3. There are five general approaches to conflict (each may be appropriate in differing situations).

A. A **competitive approach** (one or both parties are assertive and uncooperative). Taken at the expense of someone. Useful when quick and decisive action is necessary.

B. A **collaborative approach** (one or both parties are assertive and cooperative). Provides mutually beneficial outcome. Useful when your objective is to learn from others.

C. An **avoidance approach** (one or both parties are unassertive and uncooperative). Parties withdraw or suppress the conflict. Useful when an issue is trivial or more important issues are pressing.

D. An **accommodating approach** (one or both parties are unassertive and cooperative). It places opponent's interests above own. Useful when you find that you are wrong, or to show your reasonableness.

E. A **compromising approach** (one or both parties are more assertive and more cooperative) Each side yields something in order to reach agreement. Useful when goals are important but not worth the effort or potential disruption of more assertive approaches.

4. There is general agreement that there are six steps to managing conflict:

1.) **Clarify the conflict** Ettinger (see sources below) suggests each side summarize the argument of the other side to that side's satisfaction.

2.) **Set Goals** What are your common goals?

3.) **Propose Options** What are some options?

4.) **Remove perceived barriers** What can and can't be changed. What would happen if the barriers were removed?

5.) **Reach Agree:** What meets the needs of both parties?

6.) **Acknowledge the Agreement** What is the solution? What does solution mean to each side?

Sources:

Eitington, Julius E. *THE WINNING TRAINER* (Second Edition), Gulf Publishing Company, Houston, TX 11989.

Spiegel, Jerry and C. Torres, *OFFICIAL GUIDE TO TEAM WORKING*, Pfeiffer & Company, San Diego, CA 1994.

SEMINAR
PROCUREMENT AND CONTRACTING

Seminar Audience: Representatives of Administrations, maintenance organizations, property management companies, managers, and condominium board members.

9:00 - 9:30 Introduction

The introduction gives everyone a chance to find out what will happen over the next two days, what is expected from the participants and from the trainers. It also is a chance for participants to learn more about each other.

Call the group together and welcome everyone. Make sure that everyone is comfortable. Ask whether the building is familiar to them (where bathrooms and breakout rooms are) and when people have settled in and seem at ease, start by suggesting that participants introduce themselves to each other.

Chart 1
Name Organization City

Give one minute to each participant starting with yourself and co-trainers. Go around the room until everyone has had a chance to speak. Be sure that no one is left out. If there is a distinguished guest(s), invite them to speak and if they have to leave, they may be given the floor before participant introductions.

Chart 2
Your expectations from the seminar 1. What do you expect from the seminar? (Answers of the participants are put on this chart.)

Chart 3
Seminar Goals: 1. To understand the procedure of conducting a competition to select a contractor. 2. To understand the steps required to prepare and conclude a good contract.

Chart 4

Seminar Objectives:

1. To introduce new concepts of management and maintenance in the housing sector.
2. Identify the specific features of competitive contracting.
3. Explain the rationale for the contracting and procurement process.
4. Determine needs, affordability, and what should be contracted out.
5. Identify the key elements of a good contract.
6. Explain what constitutes effective contract supervision.
7. Use a problem solving model for handling difficult problems.
8. Use approaches to conflict management.

Compare their expectations with the objectives and the schedule. If there are expectations that cannot be met, say it is outside the scope of the workshop. If participants think something not covered in the workshop is truly important, say that we can discuss these things during breaks or after the seminar with the aim to include them in the next seminar.

Point out the agenda and ask participants if they have any comments.

9:30 - 9:40 Ice Breaker

Tell the participants that we are going to spend the next few minutes getting to know about the kinds of experience they have in competitive contracting.

Chart 5

Small Group Work (Exercise 1)

Group breaks into twos.

Each member interviews the other and reports on the results of the mini-interview.

Ask the following questions:

What is your experience with contracting?

What is your experience with competitions for a contract?

List the experiences on a chart. Point out that a lot of expertise already exists and the participants should avail themselves of this. Tell them that at the end of the workshop you will provide everyone with the names and contact numbers of all of the participants.

Norms

Explain to the participants that we need some guidelines or norms as to how we will all work together. Below are some possible norms. Ask the participants what other norms they would include.

Chart 6

Listen attentively
Speak one at a time
Respect each other's opinions
Keep to the schedule
Actively participate in discussions

9:40 - 9:45 Maintenance and Management Concept in the Housing Sector

You are very well aware of the maintenance problems in housing and try to do your best to professionally address them. On the other hand, all of us are residents and face a lot of problems in our everyday life and overcome them to the extent we can. Let us make a survey in our audience.

Ask participants to briefly answer the questions:

1. Try to evaluate the quality of maintenance of the building in which you live.
2. Evaluate the maintenance level of the building's grounds and adjacent streets.

Ask 4-5 participants to respond. If there are no volunteers, select people to respond.

We heard different opinions. Can we conclude that the theme of the seminar is urgent?

Question: Who do you think will evaluate the work of housing organizations most objectively?

After participants have answered, summarize: we think that the evaluation of the consumers, i.e., residents, is the most objective.

Multiple surveys in different Russian cities show the increase in dissatisfaction with maintenance which could have resulted in the cancellation of the agreement between the owner of the housing stock and the maintenance organizations. In the existing system of housing maintenance, we have come to a crisis situation with a number of longstanding problems.

The surveys showed that the resolution of problems is more efficient when people rely on their own efforts without assistance from government maintenance organizations (ZhEUs). The owners of the apartments and high-income residents almost never contact ZhEUs. They do some of the work themselves or hire professional workers or companies which provide services privately. In the latter case, there are guarantees that the job will be performed adequately and with higher quality. Also, an important factor is politeness towards the client. Now there is a need for choice in order to receive high quality and reliable services at reasonable prices as an alternative to ZhEUs.

Questions for the audience:

Are there any private companies in your city which provide housing maintenance services?

What services do they provide?

What positive features does their work have?

Summarize the answers. Provide examples of private companies in Novosibirsk and Ekaterinburg. Say that 420,000 apartments in Russia are maintained by private companies (according to the Urban Institute in Moscow) which were selected by 66 competitions.

Conclusion: So we see that attempts to change the forms of housing maintenance are taking place.

Investments in housing made up 25% of the total government investments in 1994 and 1995. Housing, however, is experiencing difficult times due to the almost total reduction of subsidies from the federal budget. Local budgets are not able to provide funds for adequate maintenance of housing. Residents are dissatisfied; there are no incentives to raise the performance quality (apartments provided to employees, high salaries, privileges, and prestige). The government still holds a monopoly in housing maintenance which obviously blocks work efficiency and initiative.

Question: Are there any other opinions?

Having discussed the opinions, go back to the figures. The housing stock in Russia is rather new: 89% of housing was constructed during the last 40 years. For a number of reasons, its physical condition is unsatisfactory. This situation required reforms of the maintenance system and stimulated a search for new models of management. Let us briefly analyze the decisions made at the federal level.

Handout: Legal Base for Reforms in the Housing Sector

Review certain points of Regulations and Laws.

State Special Purpose Program "Shelter"

The program includes legal and social aspects of housing reform, a description of the organizational support of reform, and steps for program implementation. The goal of the federal housing policy is to promote the increase in privately owned housing through the process of privatization. Responsibility for the organizational support of the reform is placed with local governments. Steps are outlined to support both individuals who have privatized their apartments and Partnerships of Homeowners (condominiums) which have rights to actively participate in the management of their property, to control the costs of maintenance and repair of buildings, and to select maintenance organizations.

RF Law "On the Principles of Federal Housing Policy"

Basic notions are defined: real estate, housing stock, condominiums, compensation, contracts, etc. The law establishes the rights and responsibilities of real estate owners and defines types of housing stock. The law states that in order that housing reform be efficient, it is necessary to promote competition in maintenance and repairs of housing. Contracts for providing services as a rule are concluded on a competitive basis.

In addition to these fundamental documents, the Program and Law, there exist other regulations: "On the Procedure of Forming Contract Relationships in Municipal Economy" and "Regulation on the Board of Customer" which clarify the possibilities for developing competition in the market of municipal housing services and selecting maintenance organizations by residents/owners.

Ask participants to look through the handout.

You can see that the government's policy is actually directed to the development of a market, competition, privatization, and contract relationships with the aim to provide residents with high quality housing services.

We are speaking about the development of a market. What do we mean by the word "market"? It is an interaction between buyers and sellers, producers and consumers. Will you name the main features of market relationships?

Summarizing and reformulating the answers, write down: choice, voluntary, accessibility of information, negotiated prices, and competition. Next, open Chart 7.

Chart 7

Characteristic Features of Market Relationships

- Choice
- Voluntary
- Accessibility of Information
- Negotiated Prices
- Competition

Question: Can we see the market features in the ownership of residential buildings?

Go through all the market features.

Question: Can we see the market features in housing maintenance?

Summarize the answers of participants: we clearly see the market relationships in the ownership of housing; but the relationships between owners of housing and maintenance organizations are not market ones yet but they become those as the government removes itself from the responsibility of housing maintenance.

Question: Can the government step aside from solving housing maintenance problems?

Summarize the participants' answers: in the market economy, the government must and shall play certain roles.

Handout: Roles of Government in Housing Maintenance in the Market Environment"

Together with the participants, read the material, comment on the government's roles, and make additions if required.

10:45 - 11:00 Break

11:00 - 11:35 Small Group Work:

Break the participants into 2-3 groups and give the assignment (Task 1). Groups prepare their answers on flip charts. Ask them to select a spokesperson and be ready to report on the group's results. (15 minutes)

Give 5 minutes for each group's presentation.

Discuss and summarize the results. (5 minutes)

Conclusion: Each category will have its advantages and disadvantages in market-oriented housing.

11:35 - 12:00 Continuation of the Work

As we have already learned, different cities in Russia tried new forms of management and maintenance in housing. In Moscow, the first step in revealing the possibilities of new approaches for taking care of buildings was separating the functions of management and maintenance. Municipal housing was transferred to the balance of Boards of Unified Customer (DEZ). The role of DEZs is to manage the housing stock while maintenance organizations (REUs and others) started to provide maintenance services on a contractual basis. It has been the common practice in Russia that ZhEUs, REUs, etc. are responsible for both management and maintenance of buildings.

Handouts: "Property Management Company," "Management and Maintenance of Buildings," "Management Company Services"

MANAGEMENT - organizing the interaction of individuals and systems for achieving goals in the most efficient way.

MAINTENANCE - using available resources to ensure adequate technical and physical conditions in a building and to satisfy the needs of residents in compliance with the goals of the owner.

In Novosibirsk:

The pilot contract was concluded for providing the entire variety of work on management and maintenance of one group of residential buildings following a competition. The results of surveys show that before the pilot project had started the satisfaction of residents with the quality of maintenance and the conditions of common areas was twice lower than during project implementation. It is also interesting that the quality of services provided by neighbor ZhEUs who felt the competition from the pilot project also increased.

In Moscow and other cities, private firms show interest in this business because they start to understand that the stability of government orders, enhancement of the firm's reputation, opportunities for creative approaches, and new areas of interaction are rather attractive factors.

In general, we may expect the following results in different aspects of housing reforms:

Chart 8

Expected Results of Reforms:

1. Increase in the quality of maintenance
2. Competition
3. Privatization of municipal maintenance organizations
4. New (private) independent companies
5. Boards of Customer
6. Contract relationships
7. Formation of condominiums
8. Increase in activities of the public
- 9.
- 10.

Question: Can we state the main goal of the owner of a building?

Reformulate and summarize participant answers:
Maintaining the property and increasing its value.
The value is preserved due to successful accomplishment of management and maintenance programs.

Go back to the handouts.

Property management can be carried out in the following ways:

1. The owner may manage his property by himself.
2. The owner may hire a professional manager.
3. The owner may hire a management company.

Property management is carried out according to a plan of maintenance.

Question: What is the basis for developing a maintenance plan?

Summarize participant answers and write them on the chart:

<p>Chart 9</p> <p>A Maintenance Plan is determined by:</p> <ul style="list-style-type: none">- Owner's goals- Needs and expectations of residents- Requirements of rules and laws- Requirements of government agencies

With the emergence of unions of residents (condominiums), new potential clients appear. As a legal entity, a Partnership of Homeowners has the possibility to contract with maintenance organizations for provision of services to their building and to carefully control the performance of the organizations and has the right to select contractors.

The U.S. experience in this area shows that in small buildings (up to 30 apartments) often the self-management is selected, i.e., the condominium voluntarily manages the required work to maintain the common areas. Financial accounting and administrative functions are implemented by the board of the condominium. Big buildings are managed by professional companies which perform all the management and maintenance activities by themselves or contract with other companies for specific work.

PREPARING FOR AND CONDUCTING A COMPETITION

12:00 - 13:00 Large group discussion:

As we have already learned, the emergence in Russia of condominiums and their right to select the contractor of their choice, is an important element in the move toward a market economy. New opportunities arise for existing maintenance organizations and the door opens for new small businesses. By May 1, 1996 in Russia, 383 condominiums have been registered. In such cities as Omsk, Ryazan, and Barnaul, their number runs to several 10s. But it is natural that a condominium may wonder where they will find a good selection of contractors to bid on their contract and how to correctly organize and conduct a competition. Experience has already proven that in Russia when whole blocks of municipal housing were put out to bid for

maintenance, proposals received were plentiful. In the most organized form, the competitions, followed by conclusion of contracts, were conducted in Moscow, Novosibirsk, Ekaterinburg, and Ryazan. Between 1993 and today, more than 10 cities have gained practical experience in competitive bidding. We are now going to consider an existing method for conducting competitions and implementing contracts.

Chart 10

Procedure for Conducting a Competition

1. Preliminary education of: owner
client
contractor
2. Identify a group of buildings.
3. Prepare scope of work.
4. Issue invitations to bid; conduct advertising campaign.
5. Pre-bid conference with prospective contractors; inspection of buildings put out to bid.
6. Bids prepared and submitted.
7. Panel selects best candidate.
8. Contract negotiation and execution.
9. Notice to Proceed
10. Contractor begins work.

Discuss each item of the Chart in detail.

13:00 - 14:00 Lunch Break

14:00 - 15:15 Work Continues

To guarantee a good contract, it is necessary to determine the best way to reach the right people and companies to invite to bid. Possible ways are through newspaper advertising, direct phone calls, flyers posted in appropriate locations, etc. within the framework of an advertising campaign. Practice shows that you always can expect some people to be interested in your invitation to bid.

Question: Who could these people be?

Chart 11

(Write people's opinions on the chart)

1. Individuals or groups of individuals who are working or have worked for government maintenance organizations.
2. Local government maintenance organizations.
3. Developers and construction companies who employ a maintenance staff to maintain the buildings they construct.
4. Individual craftsmen in the trades.
5. Former employees of construction companies.

A good contractor won't shun competition. He knows it breeds taking responsibility for his company's actions and provides a good opportunity to analyze his company's previous experience and to plan future activities.

An owner when requesting bids, sends Requests for Proposals (RFP).

Chart 12

Request for Proposals

- * Invitation to initiate negotiations
- * Document designed to solicit bids
- * Sent to several (many) firms - potential contractors
- * Promotes competition
- * Specifies the requirements for bidding and deadline
- * May contain consistent and contradictory requirements
- * Requires analytic approach
- *
- *

Discuss and make additions to the chart.

The RFP necessarily includes:

1. The name and phone number of the contact person.
2. A brief background on the decision to go out for bids.
3. A scope of work to be conducted under the contract.
4. A requirement for references.
5. A deadline for receiving bids.
6. An invitation to meet for discussions before bids are prepared.
7. A decision date when a contractor will be selected.

In response to the RFP, the bidders prepare bids.

Chart 13

Goals in preparing bids

A bid:

1. Demonstrates the willingness and capability of a company to perform the work described in the RFP.
2. Is a document reflecting that a bidder understands the owner's wishes and the task of managing and maintaining buildings.
3. Persuades the owner in the professionalism and qualifications of a company.
4. Is the main instrument in marketing a company.
5. Allows a company to analyze its achievements and drawbacks.
6. Provides a company the experience of justifying the finances of its operations.
- 7.

There is common agreement that the form and content of a bid should satisfy certain requirements.

Chart 14

Ask one of the participants to read the chart.

Requirements for a Well-Prepared Bid

- Exact response to the RFP
- Concise and concrete
- Easy to understand
- Starting from plan goes to description
- Professional terminology
- Proper and attractive packaging
- Active forms (we will do, will repair)
- Read by a third party

Ask the participants to make comments and additions if required.

The main components of a bid in response to the RFP as a rule are a technical proposal and a cost proposal.

Chart 15.1

Technical Proposal

1. Information about the bidder:
 - Name of Company
 - Form of ownership
 - Names of directors
 - Address data
 - Person responsible for the contract

Chart 15.2

2. Work Experience
 - Company qualifications
 - References
 - Qualifications of lead personnel
 - Methods and technologies
 - Staff
 - Subcontractors
 - Work with residents
 - Contacts with owners

Chart 16

Cost Proposal

1. Income
 - General financial statement for the company
 - Project Cost
 - Requested fee
2. Expenses
 - Fixed
 - Seasonal
 - Materials
 - Proposed annual or quarterly budget
 - Planned expenses should project income increase or costs decrease

To review the bids, a panel is formed by the organizer of a competition to conduct an open and objective selection of the best bidders. The panel consists of 3-11 people (depending on the number of bidders and the size of the group of buildings) including an accountant, a maintenance specialist, and a representative of residents of the buildings put out for bid. In fact the competitive selection is conducted in two stages.

1st Stage

- Registration of bids (possibly in the presence of participants in the competition)
- Review of bids
- Making the list of qualified bidders
- Making the list of ineligible bidders

2nd Stage

- Evaluating bids and preparing a proposal comparison chart
- Ranking the bidders
- Interviews with highest ranking bidders

Question: In what case could bidders not be eligible to participate in a competition?

After discussion, show the chart.

Chart 18

Reasons for Bidder Ineligibility in a Competition

1. Bid was submitted after the deadline.
2. Not all required documents were submitted.
3. Documents submitted are incorrect or incomplete.
4. Misinformation is exposed concerning:
 - Professional experience and qualifications
 - Financial status
 - References

The owner's staff or a project's property manager may do some initial work, i.e., complete a Proposal Comparison Chart, to make it easier for the panel to compare the proposals.

Task 2:

Say that you would like to give the participants some practice in selecting a successful bidder. Ask participants to break into 4 groups:

- Group 1 - Private company whose business is doing repairs
- Group 2 - Government maintenance organization
- Group 3 - Small group of individuals
- Group 4 - Client (a panel selecting a contractor)

Task for the first three groups:

Groups must describe the services they will provide to repair the client's office (inside painting and related jobs, including whether they have the required materials, additional services, and time-frames for repairs).

The client expects that the work will be finished as quickly as possible with good quality and at a reasonable price.

Groups are given 15-20 minutes to complete the task. Each group puts on the chart the description of the work with their suggestions on price and method of payment.

The final goal of the "client group" is to select a contractor to do repairs and justify their choice. To this end, they must analyze the bids received. The first three groups identify spokespersons to make reports (3 minutes each). "Clients" listen to all the "contractors," ask additional questions, and after a 5 minute discussion, make the decision.

The task's goal is to understand how important it is to properly write a bid and bid specifications.

Emphasize the following points when evaluating bidders:

1. Check all references carefully.
2. Evaluate costs and their justification.
3. If there is something in the bid which is not clear, discuss it with the contractor.
4. Ask for any additional information you may require.

Explain that when selecting a contractor the lowest bid is not necessarily the best bid. Possibly the cheapest work will have the lowest quality and could result in greater expense in the long run. Often the price is artificially lowered by a bidder with the aim to win the competition.

The highest price bidder may have built in an unreasonable profit margin or may not have understood what is involved in the job.

15:15 - 15:30 Break

15:30 - 16:50 CONTRACT NEGOTIATIONS

Explain that when a selection has been made, the panel should thank the bidders who were not selected for their interest. Then a meeting should be arranged with the winner to review the scope of work and the terms of the contract. In the case of a contract for specific repairs or for one-time jobs, the contract may be signed immediately. A contract for management and maintenance of buildings is usually signed for at least one year. If there were only a few (even one) participants in the bidding, the contract could be signed for a year with an announcement of the next competition in a year.

Every term of the contract and the specifications of work should be reviewed thoroughly. The whole purpose of this meeting is to make sure that all parties have a clear understanding of the job, when it will start, the progress that the client expects, and the terms of the contract regarding payment. If the client and the winning bidder are in disagreement of the terms at this meeting, the contract should not be signed. If after more discussion, there is still disagreement, the panel documents the disagreement and considers the next best bidder.

Regular communications between the client and the contractor when negotiating the contract is necessary for keeping both parties happy and prevents conflicts during implementation of the contract.

When concluding a contract, an important point is to transfer the buildings to be maintained and/or managed according to the Act of Technical Condition.

Question: Why is it necessary to make the Act of Technical Condition?

Summarizing participant answers, conclude: the change in the technical condition of the housing stock over certain time intervals is one of the most objective criteria of the contractor's performance.

Ask the participants what was the last contract they concluded. After they have answered, summarize why contracts are so important: it is an objective process, is legally binding, and is mutually beneficial (give the example of their lunch in the canteen - this also is a contract, the contract of renting space for conducting the seminar).

Go back to the seminar objectives and ask participants whether the process of concluding contracts goes smoothly in their work and where they see problems.

After they have answered, say that now, having in mind your wealth of practical skills, we will try to generalize our knowledge and put it into a system. Apart from verbal agreements, e.g., "gentlemen's agreements," "handshake agreements," there is an expressed contract which has documented evidence.

Chart 19

A contract:

- Is an objective process
- Has optimal legal bases
- Is mutually beneficial

Question: What is a contract?

After participants have answered, summarize:

- Derived from Latin "agreement"
- Written agreement identifying mutual responsibilities
- Basis of any deal which sets the terms for interacting of the negotiating parties.

Ask one of the participants to read the chart. After that, ask the whole group to point out the key words. Explain what certain words mean. Ask the participants to explain other words of their choice and make additions if required.

Chart 20

Contracts

promise
enforce
legal
consideration
protects
benefit
resolve
paper
evidence
agreement
all
competent
clear
complete
enforceable
effective
opportunity
discuss
make sure
same goals

When discussing in large groups, point out the important words on the chart.

1. Contract - a promise (or a group of promises) between two or more persons or businesses. When the promises are broken in whole or in part, both parties may appeal to an arbiter and arbiters may be: a person, an organization, special commission, court, arbitration court.

2. Making a contract legal requires that one party agree to something in return for "consideration" (money or another benefit) from the other party.

Examples:

1. A construction company reconstructs a building on the condition that a part of the addition built will be given to it in a long-term lease on favorable terms.
2. A repair may be paid for by the client's production or by construction materials in an amount equal to the cash value of the contract.
3. A lessee agrees to pay rent and the landlord agrees to allow use of his property under certain terms.

3. A good contract protects the parties who enter into it and ensures that all parties will receive the benefit they seek and also gives the parties a way to resolve any broken promises.

Example:

An apartment is rented on a monthly basis. In case of non-payment, withholding, penalties, and eviction may follow.

4. The paper on which the contract is written is not the contract but evidence of it. The contract is the agreement between the parties and means that both parties agree to something and confirm this by signing the contract. That is, the paper is the evidence of the agreement expressed by signature and stamp. Such a contract is an expressed one.

5. Contracts can only be made between persons who are, in the legal term, "competent." That is, contracts cannot be made if one person to the agreement is underage, has a mental disability that interferes with his understanding of the contract terms, and so forth.

6. A valid contract is made between two or more persons or businesses who are capable of making a contract ("competent"), who understand what they are contracting to, and to whom to give money or some other benefit in return for fulfilling the agreement.

7. A good contract is clear and complete and therefore enforceable and effective. Some may think that they are too "legal" and indicate that people do not trust one another. In reality, they provide an opportunity for persons entering into agreements to discuss it and make sure that they are both speaking about the same goals.

8. Contract procurement refers to an actual process for obtaining goods or services. The process is objective and equitable.

9. It is important to determine needs and to determine what resources of the client are available. This should lead to a detailed description of services to let the contractor know what the client's expectations are. At a certain stage, it is necessary to clearly state what the client wishes and will agree to do in return.

Chart 21

Procurement Process

logical and objective
equitable
based on needs and available resources
provides detailed description of required services
objective criteria for selection
promotes competition
necessary

The process provides an objective set of criteria by which to judge the contractor's bids. By allowing multiple contractors to bid, you increase the chance the client will receive the best possible services at the best possible price. As we learned earlier, this activity supports competition and promotes the emergence of new service providers and improved efficiency among existing service providers.

16:20 - 16:50 Large Group Work (Task 3 - A Trip to Irkutsk)

Use this simple example to generate a group discussion. Try to get participants to use the rationale for contracting and procurement to arrive at their discussion points. The task is given to the participants and then a volunteer reads it aloud.

Tasks for Groups:

1. Consider the situation suggested.
2. Identify mistakes made in negotiating the work.
3. In what form should the relationships with the firm have been put in order to avoid mistakes?

Many relationships that begin congenially quickly deteriorate when a party does not do the work agreed to or pay the price agreed upon.

Question: What is the problem?

After they have answered, summarize: the problem is that there is no evidence of the existence of an agreement. Without a contract, there is no independent source that recites the nature of the work to be performed, the projected completion date, nor the amount to be paid, nor the terms of payment. In this case, fundamental disagreements can emerge.

On the one hand, contracting is a very simple process; but, on the other hand, it is so complicated that there exist even governmental structures providing assistance and overseeing that the contract procurement process is correct. A textbook on obstetrics may provide a good example: if all births were normal, the textbook would be a thin brochure, but the textbook makes provisions for all the cases of abnormal births and therefore, it is a huge volume.

Handout: "Why Contracting and Procurement?" - Ludgood and Sanders

Day Two

9:00 - 9:45 NEEDS AND AFFORDABILITY. PRIORITIES.

Question: Are you acquainted with the notion of the consumer basket? What does it include?

Summarize participant answers. It is not uncommon that with a wealth of needs and wishes one has not enough money to buy all goods and products. When setting up a contract, one should also form his "consumer basket": to place an order with a contractor for the most necessary work and services within the funds available.

Remind the participants that we discussed contracting as a vehicle for getting the goods and services you want. Before you write a good contract, you should look at what you need and how much you can spend. During this session, we will look at how to identify needs, prioritize those needs, and decide whether to do the work yourself or to hire someone to do it. Let's consider a residential building, a condominium, as an example. It is not unusual for a building to have numerous maintenance needs, requests for repairs from residents, and resident desires for improvements but not enough money to address everything. If you have few resources (funds, highly qualified employees, etc.), you have to make a timely choice on how to use them in the most effective way.

Chart 22

Types of Maintenance
Janitorial and Groundskeeping
Scheduled and Preventive Maintenance
Responsive Maintenance
Deferred Maintenance
Modernization or Improvements

Janitorial and Groundskeeping includes jobs performed daily, weekly, and periodically to maintain cleanliness of common areas and overall appearance of the building and grounds. For example, trash removal, maintenance of plants, grass, and landscaping, etc.

Scheduled and Preventive Maintenance includes making inspections and repairs of common areas to reduce the frequency and severity of problems: performing inspections to determine the condition of each building component, scheduling of routine maintenance, and corrections of deficiencies noted in the building inspection.

Responsive Maintenance is divided into three types: emergency requests, urgent requests, and routine requests.

Deferred Maintenance should have been performed but has not been due to objective reasons: lack of funds, delays due to climate, technical complexity, poor planning, or lack of organization and supervision, etc. which if not addressed can result in deterioration of the property.

Modernization or Improvements are those which upgrade, improve, or modernize building conditions or efficiency of systems. Such upgrades often pay for themselves over time due to increased efficiency and lower maintenance costs. It may be capital repair, design work, redesign of a building.

Explain that a place to start is to do a building survey. A survey is the main instrument. It gives you a good overview of the building and its technical conditions.

Question: Are there cases when certain repairs do not require being addressed immediately?

After the participants have answered, conclude: there are conditions related to technology, seasons, etc. under which certain work is postponed.

Not all emergencies nor repairs nor improvements can be done at the same time. Ask the participants to give examples of things in their own lives which require decisions about what must come first before other things. This process, as they are likely to know, is called setting priorities. PRIOR is "first" in Latin. Priority means primary, of greatest value, most important. To set priorities is to decide what are the most important jobs to be addressed and must be executed first.

All of the maintenance items described above are important for different reasons. Emergency items need to be addressed to protect the health and safety of residents and to preserve buildings. Keeping the building clean and free of debris can improve the safety of the residents as well as increase the value of the property by making it more attractive. Spending money to modernize may reduce the building's operating costs.

Coming back to the example of a condominium, in setting priorities, the board should incorporate input from as many members as possible. After the emergency and urgent work has been completed and if money still is available, we may conclude contracts for other jobs in the priority order. Preventive work and timely repairs optimally reduce emergencies and this work can be planned. In setting priorities, the board has to consider what it can afford to do and what it cannot afford to do but there is work which cannot be not addressed even when few funds are available. In some instances, the cost of deferring certain needs is substantially greater than the cost of addressing them immediately. The examples are emergency repairs. In those instances, the board has to decide immediately if the situation warrants charging the members a special fee. The board must be able to explain that such actions will help to avoid emergencies in the future, will reduce further costs and will result in long-term savings.

In a condominium, the decision to do the work yourself or to hire a company or professionals to do it depends on the availability of funds and whether or not there is a member who is competent to do the work.

Chart 23

A Condominium Manager Should be Able to:

1. Use income rationally.
2. Maximize income and reduce expenses.
3. Contract services.
4. Find members who are competent to do work.

Regardless of what type of owner you represent, a condominium, municipal government, private business, enterprise, or individual, the owner's property has needs and generally has resources which must be allocated to address those needs. The owner must use its resources to pay for fixed monthly expenses such as rent and utility charges. Often these amounts are the same each month; sometimes the amounts fluctuate. If the owner has money left over after fixed expenses are paid, then

decisions should be made as to how to use excess funds. These funds may be put into savings but under the conditions of the present economy it is more reasonable to use them to address preventive repairs. The owner should make a list of priorities for spending the excess funds. If such funds are available every month then the owner can formulate a plan to address prioritized items. All owners have sources of income and expenses and have jobs to be done and services to be provided. This is true for all governments, businesses, and owners of housing. Often the best alternative for provision of certain services is to use an outside contractor. Outside contractors may have expertise, accessibility to information, technology or goods that staff, household member, or condominium member may not have. The contractor's fees might be costly and the owner or the owner's manager must decide whether or not incurring the cost makes financial sense.

In 1993 in Novosibirsk, it was decided to conduct an experiment in housing management and maintenance by an independent company as an alternative to municipal and enterprise ZhEUs. The Housing Committee of the Mayor's Office was identified to be the owner with the right to announce and conduct a competition to award a contract. We may now look at the results of this experiment and consider one of the first contracts which was in effect for 1 1/2 years and then reconcluded at the owner's initiative. During the first 1 1/2 years this contract was never revised or corrected.

Ask the participants, having in mind all the issues already discussed, to analyze what mistakes were made in setting up this contract and what points hinder the interaction of the client and contractor.

Handout: "Agreement"

Handout: "Management Company Services"

9:45 - 10:10 Task for Individual Work:

Each participant is to find 1-2 inaccurate points in the contract (10-15 minutes); results are discussed among the whole group.

10:10 - 10:45 KEY ELEMENTS OF A CONTRACT

Go back to the objectives of the workshop and remind the participants that we will look at the elements of a good contract and see how to supervise it and to control its performance and consider ways of problem solving and contract resolution.

Start by asking the group: "What are the major elements of the contracts which you sign?"

After they have answered, summarize.

Chart 24	
Key Elements of a Contract	
1.	Protection clauses
2.	Method of payment
3.	Accountability
4.	Detailed Scope of Work

Comment: A contract imposes moral, juridical, and financial responsibilities on both parties.

A contract is a basis for solving problems if any arise.

Handout: Key Elements of a Good Contract

Ask the participants to look through the handout (10 minutes). Point out the protective value of including key elements. Use the chart as a guide for further work.

Analyze:

1. Detailed Scope of Work - states explicitly and completely what is expected of both sides.
2. Accountability - states what documents both sides present to each other and within what time frames, and what equipment (or services or supplies) will be provided by whom and under what conditions and what the procedures are should either side be unable to meet the requirements of the contract.
3. Method of Payment - states how the client will compensate the contractor, within what time frames, in what monetary amounts to the contractor or to a third party. It includes procedures for rewards and penalties and also the information required on the invoice.

10:45 - 11:00 Break

11:00 - 11:40 Work Continues

Small Group Exercise

Ask the participants to return to the contract; break them into three groups and tell them to be prepared to discuss the following issues:

Chart 25

1. Are the elements of a good contract included?
2. What is the method of accountability?
3. What clauses protect the client?
4. What clauses protect the contractor?
5. What, if anything, is missing?

- Group 1: Be prepared to answer the first two questions.
Group 2: Be prepared to answer the next two questions.
Group 3: Be prepared to answer the last question.

(Preparation Time - 15 minutes)
A spokesperson from each group reports out for 3-5 minutes.

Conclusions:

In the contract, important elements of a good contract are dropped.
Each contract can be improved.

11:40 - 11:50 Ask questions on applying in practice the knowledge acquired.

11:50 - 13:00 MONITORING AND SUPERVISING CONTRACT PERFORMANCE

Chart 26

Monitoring and Supervising Contract Performance

1. Permanent or periodic
2. Documented as specified in the contract
3. Sample, collaborative

Ask the participants if anyone has ever had to supervise a contract or monitor the performance of a contract. Ask them to describe the circumstances and point out whether there were any difficulties. After 1-2 participants have answered, summarize and explain that when a contract is signed it is the intent of both parties to perform their respective obligations. However, not all contracts are performed according to specifications or other terms and conditions within the required time. Poor performance of late deliveries may cause costly delays of other jobs. Effective contract monitoring will help ensure that desired goods and services are delivered on time and comply with the specifications of the contract. Development of monitoring systems is influenced by the nature and amount of the procurement.

The following elements may be included in a monitoring system:

1. Designation of a staff member responsible for monitoring performance. It may be a certain person or a group of specialists (working group).
2. Concrete results, stages of contract performance, and other types of reports reflecting the course of performance and possible problems. Written data from the contractor may be difficult to obtain unless it is specifically required by the contract.
3. Periodic inspections is an effective method for assuring that contract specifications are being met (e.g., insulating a roof may require periodic inspections to be sure that correct technology and materials are being applied and that the work will be completed on time).

The client has the right to control but the discussion of results should be held with the person responsible for performance rather than with his staff. Explain to the participants that three issues of contract supervision frequently occur.

Chart 27

Performance Problems
Change Orders
Underbidding

1. Performance Problems

Performance problems occur when a contractor fails to deliver the goods or services as specified in the contract. For example:

- failure to deliver on time
- excessive cost
- delivering of inferior supplies or services
- violation of technology

Potential performance problems can be prevented or minimized by clear contract language and an effective monitoring system which tracks delivery and costs during the performance period. Otherwise, serious performance issues which cannot be resolved may result in a contract adjustment, suspension, or even cancellation.

2. Change Orders

Change orders may occur at any time during the contract period and may be initiated by the client or contractor. The contractor may request changes if he finds the job requires more time or money to complete. For example, in the course of replacement of roof shingles on a building, it turned out that the subroof is rotten and needs to be replaced. Therefore, the contractor and client negotiate a change to the contractor to address the problem.

3. Underbidding

In the competitive bidding process, a bidder intentionally underbids the contract in hopes of being the lowest bidder and winning the contract. Close financial analysis may show that the final cost is no less and in some cases more than other bids that were originally received. The client should be sure that the quality and type of materials, supplies, and personnel meet contract specifications. Developing an independent estimate of contract costs prior to the bidding will give the client a range of anticipated costs. If this is not done, such control is much harder to accomplish during the performance of the contract which could result in a greater final price because of the change orders and additional agreements.

Ask the participants: Who makes the decision as to when and what kind of inspections should be made?

After they have answered, conclude: the client is authorized to make this decision. The client decides how often to make inspections to track the quality and schedule of performance to be sure work is completed on time. The contractor tracks payments. Decisions made are coordinated by the parties in the contract through amendments or attachments.

A short-term contract as a rule requires more frequent control. A long-term contract may be monitored continually but control inspections may be more seldom. Often it is necessary to track what we call "hidden" work. Observable work may be evaluated the final result.

13:00 - 14:00 Lunch

14:00 - 14:30 PROBLEM SOLVING

Ask the participants how many of them have children. Ask if they have problems with them. Ask how they go about solving them.

Explain to the trainees that problems can be small or large, simple or complex, easy or difficult to solve. There are also problems that can be defined as a conflict between two parties. Explain that problems are universal to mankind and there are many systems for trying to solve them from the simple problems of what to eat for supper to more difficult problems such as how to take care of someone. Tell them that we have no answer to all problems but during this session we will try to look at a systematic approach that tries to take into account all the things that people do who seem to be effective at solving problems.

Chart 28

Problem Solving

1. Identify the problem
2. Generate alternatives
3. Evaluate alternatives
4. Select a solution

1. Identify the Problem. Take time to carefully define the problem. When did it become a problem? How serious is it? How quickly must you make a decision?

2. Generate Alternatives. Use the brainstorming technique to freely generate all possible options, solutions, opinions. Try to make a sequence of steps to solve the problem.

3. Evaluate Alternatives. Use the following criteria to evaluate alternatives: Will it solve the problem? What will be the resources required (time, money, people)? Can it be done by yourself within a reasonable time frame or will additional resources or specialized organizations be necessary? What problems can you anticipate?

4. Select a Solution. Decision is made and concrete tasks are given for execution.

14:30 - 15:05 Small Group Task

Break the participants into three groups. Give the task to each group. Tell them they must solve the problem specified in their assigned task following the lines of the problem solving scheme discussed (10-15 minutes). A spokesperson from each group reports out (3 minutes each). See Task 4.

After the discussion of the group's reports, summarize: problems that could arise in setting up a contract and its performance can be considered and solved in the suggested order of actions.

Handout: "Problem Issues"

15:05 - 15:35 CONFLICT RESOLUTION

As we have already learned, a part of supervising contracts consists in monitoring contractor performance. Communication under the best of circumstances is difficult and a clear understanding of each other is difficult to achieve. Conflicts are bound to arise, and it is useful to have tools available to resolve them and to give feedback on performance.

Question: What is a conflict?

Summarize participant answers:

Conflict is the result of competition or opposition or divergent opinions resulting in disagreement.

Conflict is a byproduct of the decision-making process. It is a normal human activity and can be caused by:

- differing expectations
- differing opinions

- differing values
- differing goals
- differing decision-making styles
- miscommunications
- personality differences
- differences in perspectives
- differences in culture.

Conflict, according to specialists, can be described as a dysfunctional reaction, the result of poor communication and lack of trust, and best managed by avoiding it but sometimes it is inevitable and therefore one needs to learn to manage it. The experience of managing conflicts can be viewed as a useful part of interpersonal relationships. There are five general approaches to conflict, each appropriate to different situations.

Chart 29

Approaches to Conflict

1. Competitive
2. Collaborative
3. Avoidance
4. Accommodating
5. Compromising

1. A competitive approach (one or both parties are assertive and uncooperative). Taken at the expense of someone. Useful when quick and decisive action is necessary.
2. A collaborative approach (one or both parties are assertive and cooperative). Provides mutually beneficial outcome. Useful when your objective is to learn from others.
3. An avoidance approach (one or both parties are unassertive and uncooperative). Parties withdraw or suppress the conflict. Useful when an issue is trivial or more important issues are pressing.
4. An accommodating approach (one or both parties are unassertive and cooperative). It places opponent's interests above own. Useful when you find that you are wrong or to show your reasonableness.
5. A compromising approach (one or both parties are more assertive and more cooperative). Each side yields something in order to reach agreement. Useful when goals are important but not worth the effort or potential disruption caused by even more assertive approaches.

There is general agreement that there are six steps to managing conflict:

1. Clarify the conflict: suggest that each side summarize the argument of the other side to that side's satisfaction.
2. Set goals: clarify for yourself what yours and the other party's goals are and what your common goals are.
3. Propose options: what are some options?

4. Remove perceived barriers: what can and cannot be changed and why?
5. Reach agreement: what meets the needs of both parties?
6. Acknowledge the agreement: what is the solution? What does the solution mean to each side?

15:35 - 15:45 Handout: "Conflict Resolution"

Give participants 10 minutes to get familiar with the handout.

15:45 - 16:00 Break

16:00 - 16:20 Work in Small Groups

Go back to the previous task in the same groups. Using the steps for resolving conflict and approaches for resolving conflict describe how you would proceed (10 minutes). Report from each group (3-5 minutes each).

Remark: In conflict resolution, one should discuss the work rather than the personal characteristics of an individual.

16:20 - 16:45 PROVIDING FEEDBACK

Feedback is a timely and continuous informing of employees on how they perform the work. It is given independently of the official analysis of the work.

Steps for Planning and Conducting a Performance Feedback Discussion

If you want to provide an employee feedback you may plan the discussion as follows:

Planning:

1. Review task agreement/standard of work you have set with the employee.
2. Identify and list specific examples or incidents, both positive and negative, you wish to discuss.
3. Plan what you want to say and arrange the key points in the order in which you wish to discuss them. Make notes if necessary.

Feedback Discussion:

1. Set the climate for the discussion.
2. Review the task agreement or standard of work with the receiver.
3. Give the specific examples or incidents and discuss them with the receiver. You want to hear his thoughts about the situation.
4. Check for understanding by asking the receiver to paraphrase what he has heard and understood up to this point.
5. To the extent possible, you want the receiver to offer solutions to the problem. Give him an opportunity to speak and as a last resort, offer your solution and establish a new agreement.

6. Ask the receiver to summarize key points and make a conclusion on the discussion. Depending upon the thoroughness of his summary, you may want to conclude by sharing your expectations that the work will improve and the situation will change in the future.

Handout: "Feedback Discussion"

Application Questions

What material from lectures, small group work, and discussions may you apply when you go back to work?

To whom, in your opinion, should you tell about the seminar?

Whose support do you need in order to apply in practice the knowledge acquired?
What concrete steps are you going to take to start changes?

16:40 - 17:00 EVALUATION AND CLOSING

Distribute the evaluation forms and ask participants to complete them. Draw their attention to the point that it is very important to suggest interesting themes or topics for subsequent seminars. Thank the participants for their active work and wish them every success in procurement and contracting.

PROCUREMENT AND CONTRACTING

AGENDA

Day One

- 9:00 - 9:30 Introduction
- 9:30 - 10:45 Housing Management and Maintenance Concepts
- 10:45 - 11:00 Break
- 11:00 - 13:00 Housing Management and Maintenance Concepts
(Continued)
Preparing for a Competition
Conducting a Competition
- 13:00 - 14:00 Lunch
- 14:00 - 15:15 Requests for Proposals
Bids
- 15:15 - 15:30 Break
- 15:30 - 16:50 Preparation for Concluding a Contract
- 16:50 - 17:00 Closing Work

Day Two

- 9:00 - 10:45 Needs and Affordability
Priorities
Key Elements of a Contract
- 10:45 - 11:00 Break
- 11:00 - 13:00 Elements of a Contract (Continued)
Supervising and Monitoring Contract Performance
- 13:00 - 14:00 Lunch
- 14:00 - 15:45 Problem Solving
Conflict Resolution
- 15:45 - 16:00 Break
- 16:00 - 16:40 Providing Feedback
- 16:40 - 17:00 Evaluation of the Seminar
Seminar Closing

EVALUATION FORM
Procurement and Contracting Seminar

Organization _____

1. Were the established objectives of the seminar achieved? (Circle the most appropriate number below)

1 2 3 4 5

Not at all Somewhat Completely

2. Were your expectations for the seminar met?

1 2 3 4 5

Not at all Somewhat Completely

3. What part of the seminar (topics, methods, etc.) did you like most?

4. What part of the seminar (topics, methods, etc.) did you like least?

5. What part of the seminar should be strengthened in your opinion?

6. What part of the seminar should receive less attention?

7. What do you think about the work of the trainers?

8. What do you think about the technical support of the seminar?

9. What other topics would you be interested in for further training?

10. Other comments.

SLIPS OF PAPER TO BE DISTRIBUTED IN TASK 1

GROUP I

HOUSING CONSUMERS

GROUP II

MUNICIPAL AND ENTERPRISE MAINTENANCE ORGANIZATIONS

GROUP III

PRIVATE PROPERTY MANAGEMENT COMPANIES

TASK 1

**ADVANTAGES AND DISADVANTAGES OF PROVIDERS AND CONSUMERS OF
MAINTENANCE SERVICES IN A MARKET ECONOMY**

TASK: Point out at least two advantages and two disadvantages your group will experience in market-oriented housing maintenance (in comparison to the centrally planned economy).

5 minutes is given for preparation and discussion in the groups. Identify a spokesperson from each group . 2-3 minutes is given for each report.

Case Study - A Trip to Irkutsk

You are going to have a business trip to Irkutsk. The duration of the business trip is 1 week. During the business trip you will be pretty busy.

Suddenly an acquaintance of yours approaches you with a request. He owns a private design firm dealing with the development of a bank document package. The package includes the logotype, forms, envelopes with emblem, deposit books, etc. The current market price of the package is rather high. The acquaintance suggests that you should kill two birds with one stone during the trip, namely, go around to as many banks in Irkutsk as possible advertising the production of his firm and conclude contracts to the extent possible. He promises to pay you 5% of the price of any contract concluded by you on behalf of the firm. It seems to be good money for you and you agree to do it.

During the business trip you devote all your spare time to accomplishing the task set by your acquaintance. Negotiations with banks come off successfully and you come to agreement to set up 2 contracts.

When you come back to your city and report on the work carried out your acquaintance suddenly says that he has consulted with firms involved in a similar business and now thinks that the commission suggested by him earlier is too high (usually firms pay a middleman not more than 3% of the contract price). Therefore, considering in addition that his firm is not doing very well now, he can pay you only 2% of the contracts' price. Moreover, he forgot to notify you that this sum is taxable and thus the money received by you will be further reduced.

As a result, for the work carried out, you get a sum that is about 3 times less than you expected.

Task for Groups:

1. Analyze the situation suggested.
2. Identify the mistakes you made in discussing the work suggested to you.
3. In what form should the relationships with the firm have been put to avoid similar mistakes?

TASK 4

According to the contract for maintenance of housing stock, the contractor takes care of plantings on the grounds, fulfills the residents' requests and does repairs and cleaning required.

Group 1: There are old big trees growing close to the buildings. The branches bang on the windows and shade apartments. The residents got the approval of appropriate agencies to cut down the trees. The owner gets complaints from the residents but nothing happens.

Group 2: Due to the lack of money, five buildings have received no repairs in a long time. It is very dirty in the entrances even though they are cleaned every day (plaster is falling down). The roof leaks over the staircases. Dissatisfaction of residents is creating conflict.

Group 3: During holidays, large-scale emergencies could occur which are difficult to repair. The private company taking care of the housing stock has no emergency service. What could be done?

Group 4: Every day after trash removal, the trash area must be cleaned. Each cleaner has two days off a week. How will the trash area be kept clean?

LIST OF HANDOUTS

1. Legal Base for Reforms in the Housing Sector
2. Roles of Government in Housing Maintenance in the Market Environment
3.
 - a. Property Management Company
 - b. Management and Maintenance of Buildings
 - c. Management Company Services
4. Why Contracting and Procurement? - Ludgood and Sanders
5. Agreement
6. Management Company Services
7. Key Elements of a Good Contract
8. Problem Issues
9. Conflict Resolution
10. Feedback Discussion