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## CONSTRUCTION PROCUREMENT

### BEST PRACTICE GUIDELINE #A3

### Evaluating tenders offers

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#### 1. Introduction

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Tender offers should be evaluated in accordance with the parameters stated in the tender data. This Best Practice Guideline presupposes that the Standard Conditions of Tender located in Annex F of the CIDB Standard for Uniformity in Construction Procurement are utilized, Tender Data is compiled in accordance with the provisions of the template and associated guidance provided on the cidb website ([www.cidb.org.za](http://www.cidb.org.za)), a competitive selection method other than a proposal procedure using the two stage system is adopted and procurement documents are compiled in accordance with the provisions of Best Practice Guideline #C1, *Preparing procurement documents*.

The pertinent clauses contained in the Standard Conditions of Tender relating to undertakings made by the employer are:

Clause	Heading	Action
F.3.6	<b>Non-disclosure</b>	Not disclose to tenderers, or to any other person not officially concerned with such processes, information relating to the evaluation and comparison of tender offers, the final evaluation price and recommendations for the award of a contract, until after the award of the contract to the successful tenderer.
F.3.7	<b>Grounds for rejection and disqualification</b>	Determine whether there has been any effort by a tenderer to influence the processing of tender offers and instantly disqualify a tenderer (and his tender offer) if it is established that he engaged in corrupt or fraudulent practices.
F.3.10	<b>Clarification of a tender offer<sup>1</sup></b>	Obtain clarification from a tenderer on any matter that could give rise to ambiguity in a contract arising from the tender offer.
F.3.11.1	<b>Evaluation of responsive tender</b>	Appoint an evaluation panel of not less than three persons. Reduce each responsive tender offer to a comparative offer and evaluate it using the tender evaluation method that is indicated in the Tender Data and described below:

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<sup>1</sup> Clause F.2.17 (Clarification of tender offer after submission) places the following obligation on a tenderer:

Provide clarification of a tender offer in response to a request to do so from the employer during the evaluation of tender offers. This may include providing a breakdown of rates or prices and correction of arithmetical errors by the adjustment of certain rates or item prices (or both). No change in the competitive position of tenderers or substance of the tender offer is sought, offered, or permitted.

The note below this clause reads as follows:

Sub-clause F.2.17 does not preclude the negotiation of the final terms of the contract with a preferred tenderer following a competitive selection process, should the Employer elect to do so.

The actions associated with this activity must be conducted in accordance with the provisions of the CIDB Code of Conduct for the Parties engaged in Construction Procurement. Written reasons may have to be furnished to tenderers for administrative actions taken. .

The Standard Conditions of Tender contained in the CIDB Standard for Uniformity in Procurement prescribe four Tender Evaluation Methods:

- Method 1: The tender is evaluated solely in terms of the price (financial offer) that is made.
- Method 2: The tender is evaluated in terms of price and preferences.
- Method 3: The tender is evaluated on a balance between the price and quality.
- Method 4: The tender is evaluated on a balance between the price and quality and preference.

The Tender Data state which method is applicable.

Communications with tenderers should as a general rule only take place for the purpose of clarification and not for negotiation, except where the negotiations form an integral part of the procurement procedure (see clause 6.3 of SANS 294, *Construction procurement processes, procedures and methods*, and 4.2.2 of the CIDB Standard for Uniformity in Construction Procurement or tenderers are approached to amend part of a tender that may present an unacceptable risk. (see clause 6.6.5.3 of SANS 294).

Annexure 1 provides proforma forms to facilitate the awarding of tender evaluation points. Annexure 2 provides an example of the tender evaluation report.

## **2. Step1: Open and record tender offers received**

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The pertinent clauses in the Standard Conditions of Tender are:

Clause	Heading	Action
F.3.4.1	<b>Tender offer opening</b>	Unless the two-envelope system is to be followed, open valid tender submissions in the presence of tenderers' agents who choose to attend at the time and place stated in the tender data. Tender submissions for which acceptable reasons for withdrawal have been submitted will not be opened.
F.3.4.2		Announce at the opening held immediately after the opening of tender submissions, at a venue indicated in the tender data, the name of each tenderer whose tender offer is opened, the total of his prices, preferences claimed and time for completion, if any, for the main tender offer only.
F.3.4.3		Make available the record outlined in F.3.4.2 to all interested persons upon request
F.3.5.1	<b>Two-envelope system</b>	Where stated in the tender data that a two-envelope system is to be followed, open only the technical proposal of valid tenders in the presence of tenderers' agents who choose to attend at the time and place stated in the tender data and announce the name of each tenderer whose technical proposal is opened.
F.3.5.2		Evaluate the quality of the technical proposals offered by tenderers, then advise tenderers who remain in contention for the award of the contract of the time and place when the financial proposals will be opened. Open only the financial proposals of tenderers, who score in the quality evaluation above the minimum number of points for quality stated in the tender data, and announce the score obtained for the technical proposals and the total price and any preferences claimed. Return unopened financial proposals to tenderers whose technical proposals failed to achieve the minimum number of points for quality.

**Note:** Where tenders are not to be opened in public, clause 3.4.2 should be replaced in the tender data with wording to the effect that the total of prices, preferences claimed and time for completion (if any) for the main tender offers received will be published and made available to tenderers.

**Actions:**

- 1) Open tender offers, where possible, in public immediately after the closing time for receipt of tender submissions and record:
  - i) the name of the tenderer;
  - ii) the total of prices;
  - iii) contract data that have a bearing on the tendered price or fee, e.g., time for completion, settlement discounts, price adjustment; and
  - iv) preferences claimed (specific goals and evaluation points claimed).

**Note:** 1 Where this is impossible, arrangements must be made to ensure that no further submissions are received and that such submissions are not tampered with in any way prior to their opening. Such tender submissions should be opened not more than one week after the closing time for tenders, in the presence of not less than two (2) officials and one other person who is independent of the institution, named in the Tender Data.

2 Where contracts are not awarded in totality to a single tenderer, the recording of the total of prices is not required. Where defined portions of contracts may be awarded to multiple tenderers and such portions can be readily totaled in the tender submission, these totals should be recorded.

- 2) Date and office stamp all the pages of the Returnable Documents.
- 3) Make available name, price and preferences claimed to interested parties who request such information.

### **3. Step 2: Determine whether or not tenders offers are complete**

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The pertinent clauses in the Standard Conditions of Tender are:

Clause	Heading	Action
F.2.13.2	Submitting a tender offer	Return all returnable documents to the employer after completing them in their entirety, either electronically (if they were issued in electronic format) or by writing legibly in non-erasable ink.
F.2.13.4		Sign the original and all copies of the tender offer where required in terms of the tender data. The employer will hold all authorized signatories liable on behalf of the tenderer. Signatories for tenderers proposing to contract as joint ventures shall state which of the signatories is the lead partner whom the employer shall hold liable for the purpose of the tender offer.
F.2.14	Information and data to be completed in all respects	Accept that tender offers, which do not provide all the data or information requested completely and in the form required, may be regarded by the employer as non-responsive.
F.2.18	Provide other material	Provide, on request by the employer, any other material that has a bearing on the tender offer, the tenderer's commercial position (including notarized joint venture agreements), preferencing arrangements, or samples of materials, considered necessary by the employer for the purpose of a full and fair risk assessment. Should the tenderer not provide the material, or a satisfactory reason as to why it cannot be provided, by the time for submission stated in the employer's request, the employer may regard the tender offer as non-responsive.

## **Actions**

- 1) Compare tender submission against List of Returnable Documents contained in the tender document and identify schedules and component documents that have not been returned or are incomplete.
- 2) Request tenderers to complete incomplete tender documents, within a reasonable period of time, that are required **only** for tender evaluation purposes so that they are capable of being evaluated.
- 3) Record what is incomplete in each tender submission.

**Note:** Returnable documents are categorised in the list of returnable documents as being:

- Returnable Schedules required for tender evaluation purposes
- Other documents required for tender evaluation purposes
- Returnable Schedules that will be incorporated into the contract
- Other schedules and affidavits that will be incorporated into the contract

## **4. Step 3: Determine whether or not tender offers are responsive**

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The pertinent clauses in the Standard Conditions of Tender are:

<b>Clause</b>	<b>Heading</b>	<b>Action</b>
<b>F.3.8</b>	<b>Test for responsiveness</b>	<p>Determine, on opening and before detailed evaluation, whether each tender offer properly received:</p> <ul style="list-style-type: none"><li>• meets the requirements of these Conditions of Tender,</li><li>• has been properly and fully completed and signed, and</li><li>• is responsive to the other requirements of the tender documents.</li></ul> <p>A responsive tender is one that conforms to all the terms, conditions, and specifications of the tender documents without material deviation or qualification. A material deviation or qualification is one which, in the Employer's opinion, would:</p> <ul style="list-style-type: none"><li>• detrimentally affect the scope, quality, or performance of the works, services or supply identified in the Scope of Work,</li><li>• change the Employer's or the tenderer's risks and responsibilities under the contract, or</li><li>• affect the competitive position of other tenderers presenting responsive tenders, if it were to be rectified.</li></ul> <p>Reject a non-responsive tender offer, and not allow it to be subsequently made responsive by correction or withdrawal of the non-conforming deviation or reservation.</p>

## **Actions:**

- 1) Confirm compliance with all the requirements of the Standard Conditions of Tender, viz:

<b>Clause</b>	<b>Heading</b>	<b>Consideration</b>
<b>F.2.1</b>	Eligibility	Confirm if eligibility criteria are complied with.
<b>F.2.7</b>	Clarification meeting	Confirm that tenderer attended any compulsory site / clarification meetings.
<b>F.2.10</b>	Pricing the tender offer	Confirm that tenderer has observed pricing instructions.
<b>F.2.11</b>	Alterations to documents	Confirm that alteration, if any, comply with instructions.
<b>F.2.12</b>	Alternative tenders offers	Confirm, where alternative tenders have been submitted, that conditions attached to alternative tender offers have been met.
<b>F.2.13</b>	Submitting a tender offer	Confirm that the tender offer covers the scope of work contained in the procurement document

2) Declare tender offers non-responsive should they:

- i) fail to comply with the requirements of 1) above;
- ii) fail to provide additional information that is requested by the due date;
- iii) not be fully completed to the extent that the tender offer can be evaluated;
- iv) contain material deviations or qualifications; or
- v) not be signed

3) Record reasons for declaring a tender to be non-responsive.

## 5. Step 4: Evaluate tender submissions

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### 5.1: Step 4.1: Reduce tenders to comparative offers

**Note:**

- 1 Comparative Offer means the tenderer's financial offer after the factors of non-firm prices, all unconditional discounts and any other tendered parameters that will affect the value of the financial offer have been taken into consideration.
- 2 A discount which is dependent on the employer adhering to the contractual obligations, e.g. to pay on time, must be regarded as an unconditional discount.

The pertinent clauses in the Standard Conditions of Tender are:

Clause	Heading	Action
F.3.9	Arithmetical errors*	<p>Check responsive tenders for discrepancies between amounts in words and amounts in figures. Where there is a discrepancy between the amounts in figures and the amount in words, the amount in words shall govern.</p> <p>Check the highest ranked tender or tenderer with the highest number of tender evaluation points after the evaluation of tender offers in accordance with F.3.11 for:</p> <ul style="list-style-type: none"> <li>• the gross misplacement of the decimal point in any unit rate;</li> <li>• omissions made in completing the pricing schedule or bills of quantities; or</li> <li>• arithmetic errors in: <ul style="list-style-type: none"> <li>- line item totals resulting from the product of a unit rate and a quantity in bills of quantities or schedules of prices; or</li> <li>- the summation of the prices.</li> </ul> </li> </ul> <p>Notify the tenderer of all errors or omissions that are identified in the tender offer and invite the tenderer to either confirm the tender offer as tendered or accept the corrected total of prices.</p> <p>Where the tenderer elects to confirm the tender offer as tendered, correct the errors as follows:</p> <ul style="list-style-type: none"> <li>• If bills of quantities or pricing schedules apply and there is an error in the line item total resulting from the product of the unit rate and the quantity, the line item total shall govern and the rate shall be corrected. Where there is an obviously gross misplacement of the decimal point in the unit rate, the line item total as quoted shall govern, and the unit rate shall be corrected.</li> <li>• Where there is an error in the total of the prices either as a result of other corrections required by this checking process or in the tenderer's addition of prices, the total of the prices shall govern and the tenderer will be asked to revise selected item prices (and their rates if bills of quantities apply) to achieve the tendered total of the prices.</li> </ul>

**Actions:**

- 1) Review financial offer and correct discrepancies between totals and calculations / summations in accordance with the provisions of the Tender Data.
- 2) Identify parameters included in the Returnable Documents that have a bearing on the financial offer eg life cycle costs, contract period, requirement for price escalation etc and quantify their impact on the financial offer.
- 3) Reduce all tender offers to a common base i.e to comparative offers.

**Note:** Do not include preferences at this stage.

**5.2 Step 4.2: Determine the reasonableness of tender offers****Action:**

Judge the reasonableness of financial offers and reject all tender offers with unrealistic financial offers.

**Note:** It is important that the offer receiving the highest number of points for price is realistically priced. Unrealistic financial offers (i.e., where it is not economically possible to execute the contract at that price) distort the scoring of price. In cases where a tenderer has tendered a favourable unrealistic financial offer, the evaluator should ascertain as to whether or not there is a valid reason for the tender price being unrealistic. This may necessitate that the tenderer be interviewed. If there is no valid reason, the tender offer must be eliminated from further consideration.

**5.3 Step 4.3: Review claims for preferences**

The pertinent clauses in the Standard Conditions of Tender are:

Clause	Heading	Consideration
F.3.11.8	<b>Scoring preferences</b>	Confirm that tenderers are eligible for the preferences claimed in accordance with the provisions of the tender data and reject all claims for preferences where tenderers are not eligible for such preferences.

**Action:**

Confirm that tenderers are eligible for the preferences claimed in the Preference Schedule / the reasonableness of any tendered contract participation goal.

**Note:** The evaluator needs to review the answers in any Targeted Declaration Affidavit in order to make a determination as to whether or not the enterprise in question satisfies the definition provided for a Targeted Enterprise. Annex C of SANS 10396 : Implementing Preferential Procurement Policies using Targeted Construction Procurement Procedures provides insight into the intent behind each question.

The evaluator also needs to consider the reasonableness of any tendered contract participation goal. The tender goal calculation contained in the Preference Schedule facilitates this.

**5.4 Step 4.4: Award points for financial offer**

The pertinent clauses in the CIDB Standard Conditions of Tender are:

Clause	Heading	Action												
F.3.11.7	Scoring financial offers	<p>Score the financial offers of remaining responsive tender offers using the following formula:</p> $N_{FO} = W_1 \times A$ <p>where:</p> <p><math>N_{FO}</math> is the number of tender evaluation points awarded for the financial offer.</p> <p><math>W_1</math> is the maximum possible number of tender evaluation points awarded for the financial offer as stated in the Tender Data.</p> <p><math>A</math> is a number calculated using the formula and option described in F.1 as stated in the Tender Data.</p> <table border="1" style="margin-left: 20px;"> <thead> <tr> <th>Formula</th> <th>Comparison aimed at achieving</th> <th>Option 1</th> <th>Option 2</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Highest price or discount</td> <td><math>A = (1 + (\frac{P - P_m}{P_m}))</math></td> <td><math>A = P / P_m</math></td> </tr> <tr> <td>2</td> <td>Lowest price or percentage commission / fee</td> <td><math>A = (1 - (\frac{P - P_m}{P_m}))</math></td> <td><math>A = P_m / P</math></td> </tr> </tbody> </table> <p>where:</p> <p><math>P_m</math> = the comparative offer of the most favourable tender offer.</p> <p><math>P</math> = the comparative offer of tender offer under consideration.</p>	Formula	Comparison aimed at achieving	Option 1	Option 2	1	Highest price or discount	$A = (1 + (\frac{P - P_m}{P_m}))$	$A = P / P_m$	2	Lowest price or percentage commission / fee	$A = (1 - (\frac{P - P_m}{P_m}))$	$A = P_m / P$
Formula	Comparison aimed at achieving	Option 1	Option 2											
1	Highest price or discount	$A = (1 + (\frac{P - P_m}{P_m}))$	$A = P / P_m$											
2	Lowest price or percentage commission / fee	$A = (1 - (\frac{P - P_m}{P_m}))$	$A = P_m / P$											

**Note:** The Standard for Uniformity in Construction Procurement requires that the following formulae be used with the following methods:

Method	Formula for financial offer	Formula for quality	Formula for combining quality and financial offer
1 Financial offer	-	-	-
2 Financial offer and preferences	<p><b>Highest price or discount:</b>  <math>W_1 \times A = (1 + (\frac{P - P_m}{P_m}))</math></p> <p><b>Lowest price or percentage commission/ fee</b>  <math>W_1 \times A = (1 - (\frac{P - P_m}{P_m}))</math></p> <p>Where  <math>W_1</math> is equal to 80 or 90  <math>P_m</math> is the comparative offer of the most favourable tender offer.  <math>P</math> is the comparative offer of tender offer under consideration.</p>	-	-
3 Financial offer and quality	<p><b>Highest price or discount:</b>  <math>W_1 \times A = (1 + (\frac{P - P_m}{P_m}))</math></p> <p>or  <math>W_1 \times A = P / P_m</math></p> <p><b>Lowest price or percentage commission/ fee</b>  <math>W_1 \times A = (1 - (\frac{P - P_m}{P_m}))</math></p> <p>or  <math>W_1 \times A = P_m / P</math></p> <p>Where  <math>W_1</math> is the percentage score given to financial offer  <math>P_m</math> is the comparative offer of the most favourable tender offer.  <math>P</math> is the comparative offer of tender offer under consideration.</p>	$W_Q = W_2 \times S_0 / M_S$ <p>Where  <math>W_2</math> is the percentage score given to quality  <math>S_0</math> is the score for quality allocated to the submission under consideration  <math>M_S</math> is the maximum possible score for quality in respect of a submission</p>	$T_{EV} = N_{FO} + N_P$ <p>where:  <math>N_{FO}</math> is the number of tender evaluation points awarded for the financial offer  <math>N_P</math> is the number of tender evaluation points awarded for preferences claimed</p>

4 Financial offer, quality and preferences	<p><b>Highest price or discount:</b>  <math>W_1 \times A = P / P_m</math></p> <p><b>Lowest price or percentage commission/ fee</b>  <math>W_1 \times A = P_m / P</math></p> <p>Where  <math>W_1</math> is the percentage score given to financial offer  <math>P_m</math> is the comparative offer of the most favourable tender offer.  <math>P</math> is the comparative offer of tender offer under consideration.</p>	$W_Q = W_2 \times S_0 / M_S$ <p>where <math>W_2</math> is the percentage score given to quality and equals _____*</p> <p><math>S_0</math> is the score for quality allocated to the submission under consideration</p> <p><math>M_S</math> is the maximum possible score for quality in respect of a submission</p>	<p><b>Private sector</b>  <math>T_{EV} = N_{FO} + N_P + N_Q</math></p> <p>where:  <math>N_{FO}</math> is the number of tender evaluation points awarded for the financial offer;  <math>N_P</math> is the number of tender evaluation points awarded for preferences;  <math>N_Q</math> is the number of tender evaluation points awarded for quality</p> <p><b>Public sector *</b>  <math>W_C = W_3 \times \frac{(1+(S-S_m))}{S_m}</math></p> <p>Where  <math>W_3</math> is the number of tender evaluation points for quality and financial offer and equals 80 / 90  <math>S</math> is the sum of score for quality and financial offer of the submission under consideration  <math>S_m</math> is sum of the score for quality and financial offer of the submission scoring the highest number of points</p>
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Note: \* The wording to be included in the tender data is prescribed in clause 4.5 of the CIDB Standard for Uniformity in Construction Procurement.

#### Action:

Score the financial offer of all responsive tender offers received to two decimal points using the appropriate formulae described in the CIDB Standard for Uniformity in Construction Procurement and contained in the Standard Conditions of Tender on Form 3 (see Annexure 1) and record value on Form 1 or 2, as relevant (see Annexure 1).

#### Note:

- 1 Tender offers may only be evaluated in accordance with the evaluation criteria stipulated in the procurement documents. It is therefore essential that the manner in which this is to be done is precisely described in the Tender Data. Sub-clause 4.4.3 of the Standard for Uniformity in Construction Procurement requires that specific wording be incorporated in the Tender Data to precisely define how the evaluation is to take place. These requirements are aligned with the requirements of laws governing public sector procurement. The text may be varied to accommodate private sector procurement requirements as such procurement is not constrained by law.
- 2 The involvements of women and black persons in contracts should not be evaluated in the form of quality criteria in public contracts. This must be addressed in the preferencing points. It should be noted in this regard that the courts have already ruled that empowerment is specifically catered for in the preference points system. (See Reported case (2002)[3] All SA 336 ((case No 18276/2001 in the High Court of South Africa)). Furthermore, the Supply Chain Management Circular issued by National Treasury on 10/05/2005 states that "*Preference points for HDI involvement may not be included as part of functionality, but should be provided for separately as part of the 10 or 20 points allocated for specific goals.*"
- 3 Any eligibility criteria introduced into the Tender Data should generally be based on the demonstration of the following, as necessary:
  - a) professional and technical qualifications;
  - b) professional and technical competence;
  - c) financial resources;
  - d) equipment and other physical facilities;
  - e) managerial capacity, reliability, experience; and
  - f) reputation.

Eligibility criteria framed around race and gender may be regarded as a “*the denial of access to opportunities*”, an action prohibited in terms of sections 7 and 8 of the Promotion of Equality and Prevention of Unfair Discrimination Act of 2000 (Act 4 of 2000). Eligibility criteria must not be used to create captive or restricted markets or to erect unjustifiable barriers to trade.

- 4 Quality should only be introduced into the evaluation of tender submissions where it is required to achieve policy objectives in terms of an organization's procurement policy or it is justifiable in terms of procurement outcomes. Quality measures must not promote captive markets and should result in quality that is appropriate to comply with user requirements as opposed to the best quality available.
- 5 Tender evaluation criteria need to be disclosed to tenderers in a fair, equitable and transparent procurement system. Accordingly, all criteria and weightings need to be disclosed within the procurement documents, and no additional criteria may be imposed after the tenders close.

**It is important that the wording for the evaluation of tender offers contained in the Standard for Uniformity in Construction Procurement be used without amendment in the public sector.** The Preferential Procurement Policy Framework Act (Act 5 of 2000) only makes provision for the evaluation of tender offers on the basis of "price" and "preference." As a result, points for quality, financial offer and preference cannot be scored separately and combined arithmetically to arrive at a final score. What can be done is to combine the separate scores for quality and financial offer into a scoring of value for money and to treat this score as the "price", which may then be scored and combined with "preference" in the manner contemplated in the PPPFA.

The Regulations issued in terms of this Act allows the calculation of points for price and functionality (quality) when functionality is regarded as an important evaluation criterion. In this case the tenderer who scored the highest combination of points for price and functionality, must score 80 or 90 points, while other tenderers should score on a pro-rata basis less points out of 80 or 90.

The results of the tender evaluation may be affected by the approach and formula that is adopted as illustrated in the example below. In the interests of transparency, the precise method of evaluating tender submissions must be fully described in the Tender Data.

### ***Example 1: Financial offer and preference***

Tenderer A tenders an amount of R 1 000 000 to construct houses for the public sector and is the lowest financial offer received. Tenderer B tenders an amount of R 1 050 000, Tenderer C an amount of R 1 100 000, Tenderer D an amount of R 1 070 000 and Tenderer E an amount of R 1 030 000.

What are the tender evaluation points for financial offer that these tenderers receive, if the value for  $W_1$  provided for in the Tender Data is 90 and method 2 (financial offer and preferences) is to be used in the evaluation of tenders?

**Note:** Formula 2 is selected because the tenderer with the lowest financial offer is the most favourable offer. Option 1 is selected as the Standard for Uniformity in Construction Procurement requires that this option is to be selected for public sector projects.

- Tenderer A gets 90 points (i.e. the maximum), as this is this most favourable financial offer received.
- Tenderer B obtains  $90 \times (1 - \frac{P - P_m}{P_m}) = 90 \times (1 - \frac{1\,050\,000 - 1\,000\,000}{1\,000\,000}) = 90 \times (1 - 0.05) = 90 \times 0.95 = 85,50$  points
- Tenderer C obtains  $90 \times (1 - \frac{(1\,100\,000 - 1\,000\,000)}{1\,000\,000}) = 81,00$  points
- Tenderer D obtains  $90 \times (1 - \frac{(1\,070\,000 - 1\,000\,000)}{1\,000\,000}) = 83,70$  points
- Tenderer E obtains  $90 \times (1 - \frac{(1\,030\,000 - 1\,000\,000)}{1\,000\,000}) = 87,30$  points

### ***Example 2: Financial offer and preference***

Tenderer F tenders a discount of 10% on the tariff of fees for architectural services in terms of a public sector tender. Tenderer G tenders a discount of 11%. What are the tender evaluation points for price that these two tenderers receive, if the value for  $W_1$  provided for in the Tender Data is 80 and method 2 (financial offer and preferences) is to be used in the evaluation of tenders.?

**Note:** Formula 1 is selected because the tenderer with the highest financial offer is the most favourable offer.

Tender G gets 80 points (i.e. the maximum) as this is the most favourable offer received.

Tenderer F obtains  $80 \times \frac{1+(10-11)}{11} = 80 \times 0.9091 = 72,73$  points

### Example 3: Financial offer, quality and preference

Tenders are invited. Three tenders are received and are scored by the tender evaluation panel as follows:

Tenderer	Financial offer	Quality score of 100 (max)	Preference granted
A	R1 050 000	55,2	0
B	R 1 550 000	84,53	8
C	R 2 050 000	98	2,5

The weighting between financial offer and quality is 20:80 and preferences count a maximum of 10 points with financial offer and quality 90 points.

#### 1 Scoring using simple formula (private sector approach)

The points for financial offer, quality and preference (private sector) are 72 (80 / 100 x 90), 18 (20 / 100 x 90) and 10

The score for quality is to be calculated using the following formula:

$$W_Q = W_2 \times S_Q / M_S$$

where  $W_2$  is the weighting given to quality and equals 72

$S_Q$  is the score for quality allocated to the submission under consideration

$M_S$  is the maximum possible number of tender evaluation points awarded for the quality as stated in the tender

Score financial offer using the following formula (option 2):

$$\frac{(1 - (P - P_m))}{P_m} \times 18$$

where:

$P_m$  = the comparative offer of the most favourable tender offer.

$P$  = the comparative offer of tender offer under consideration.

Tenderer	Score for financial offer	Score for quality	Score for preference	Total	Ranking
A	18	39,74	0	57,74	3
B	9,43	60,86	8	78,29	1
C	0,86	70,56	2,5	73,92	2

**Note:** If tenderer C tendered an amount above R 2 100 000, the formula would yield a negative number and as a result cannot be scored.

If option 1 ( $P_m/P$ ) 18 was used to score tenderers, the results would have been as follows:

Tenderer	Score for financial offer	Score for quality	Score for preference	Total	Ranking
A	18	39,74	0	57,74	3
B	12,19	60,86	8	81,05	2
C	9,22	70,56	2,5	82,28	1

The use of the alternative formula changes the competitive position of tenderers. It is for this reason that the precise formula must be stated in the tender data.

#### 2 Use approach contained in the Standard for Uniformity in Construction Procurement and National Treasury SCM Practice Note 3

The percentage weighting is

The score for quality is to be calculated using the following formula:

$$W_Q = W_2 \times S_Q / M_S$$

where  $W_2$  is the percentage score given to quality and equals 80

$S_Q$  is the score for quality allocated to the submission under consideration

$M_S$  is the maximum possible score for quality in respect of a submission

The score for financial offer is calculated using the following formula where  $W_1$  is the percentage score given to financial offer and equals 20:

$$Pm / P \times W_1$$

where:

$Pm$  = the comparative offer of the most favourable tender offer.

$P$  = the comparative offer of tender offer under consideration.

The score for quality and financial offer is combined, before the addition of the score for preference, as follows:

$$W_C = W_3 \times \frac{(1 + (S - S_m))}{S_m}$$

Where  $W_3$  is the number of tender evaluation points for quality and financial offer and equals 90

$S$  is the sum of score for quality and financial offer of the submission under consideration

$S_m$  is sum of the score for quality and financial offer of the submission scoring the highest number of points

Tenderer	Score for financial offer	Score for quality	Combined	Score for offer	Score for preference	Total	Ranking
A	20	44,16	64,16	65,14	0	65,14	3
B	13,55	67,62	81,17	82,42	8	90,42	2
C	10,24	78,40	88,64	90	2,5	92,50	1

Had the alternative formula for the calculation of price be used as set out below, the results would have been as follows:

$$\frac{(1 - (P - Pm)) \times 20}{Pm}$$

Tenderer	Score for financial offer	Score for quality	Combined	Score for offer	Score for preference	Total	Ranking
A	20	44,16	64,16	72,77	0	72,77	3
B	10,48	67,62	78,10	88,58	10	98,58	1
C	0,95	78,40	79,35	90	2,5	92,5	2

Note: It is always preferable to use the formula  $Pm / P \times W_1$  to score the financial offer as it will not yield a negative number. The use of the alternative formula changes the competitive position of tenderers. It is for this reason that the precise formula must be stated in the tender data.

## 5.5 Step 4.5: Award points for quality

The pertinent clauses in the Standard Conditions of Tender are:

Clause	Heading	Action
F.3. 11.9	Scoring quality	<p>Score each of the criteria and subcriteria for quality in accordance with the provisions of the Tender Data.</p> <p>Calculate the total number of tender evaluation points for quality using the following formula:</p> $N_Q = W_2 \times S_O / M_S$ <p>where: <math>S_O</math> is the score for quality allocated to the submission under consideration;  <math>M_S</math> is the maximum possible score for quality in respect of a submission; and  <math>W_2</math> is the maximum possible number of tender evaluation points awarded for the quality as stated in the tender data</p>

**Actions:**

- 1) Score quality for each of the categories stated in the Tender Data, calculate total score for quality and record on Form 2 (see Annexure 1).
- 2) Eliminate tender offers that do not score the minimum number of points for quality stated in the Tender Data.

**5.6 Step 4.6: Award points for preferences**

The pertinent clauses in the Standard Conditions of Tender are:

Clause	Heading	Consideration
F.3.11.8	Scoring preferences	Calculate the total number of tender evaluation points for preferences claimed in accordance with the provisions of the tender data.

**Action:**

Award tender evaluation points for the category of preference / in proportion to the tendered contract participation goal to each eligible tenderer, in the manner described in the relevant Preferencing Schedule (See Annex D and E of the CIDB Standard for Uniformity in Construction Procurement and record on Form 4 and Forms 1 or 2, as appropriate (see Annexure 1).

**Example: Direct preference : The completed Preference Schedule contains the following:**

4 TENDER PREFERENCE CLAIM IN RESPECT OF ENTERPRISE STATUS OR STRUCTURE OF THE TENDERING ENTITY		
I/we apply on behalf of my/our firm for the following preference:		
Category of Targeted Enterprise	Percentage of maximum tender evaluation points provided for in the Preferential Procurement Policy Framework Act (Act 5 of 2000)	Preference claimed for Targeted Enterprise status (Y=yes)
Small Business Enterprise which is classified in terms of the Small Business Act as being a micro business	10%)	
Small Business Enterprise which is classified in terms of the Small Business Act as being a very small business	75%	yes
Small Business Enterprise which is classified in terms of the Small Business Act as being a small business	50%	
Woman Business Enterprise	75%	
Engendered Enterprise	50%	

The maximum number of tender evaluation points are:	
Preferences ( $W_P$ ):	20
Financial offer ( $W_F$ ):	80
Total	100

*The tender evaluator is satisfied that the tenderer qualifies for the preference.*

*Number of tender evaluation points awarded for preference =  $75 / 100 \times 20 = 15$*

**Example: Direct participation**

*The completed Preference Schedule contains the following:*

**6 TENDERED CONTRACT PARTICIPATION GOAL**

I / we hereby tender a Contract Participation Goal of ... 30 , 0 .....%.

*The Tender Data contained the following:*

Upto 10 tender evaluation points ( $W_P$ ) will be awarded to tenderers who complete the Preferencing Schedule (direct participation) and who are found to be eligible for the preference claimed in accordance with the following formula:

$$W_P \times (D_1) / (D_2)$$

Where:  $D_1$  is the tendered Contract Participation Goal

$D_2$  is the maximum Contract Participation Goal above which no further tender evaluation points are granted, namely 40%

The procedure for evaluation of responsive tender offers is Method 2

The value of  $W_1$  used in the formula for scoring financial offers is 90.

*The tender evaluator is satisfied that the tenderer qualifies for the preference.*

*Number of tender evaluation points awarded for preference:*

$$\begin{aligned} P &= W_P \times (D_1) / (D_2) \\ &= 10 \times (30) / (40) \\ &= 6.75 \end{aligned}$$

**Note:** Scored to two decimal places.

**5.7 Step 4.7: Total points and rank tenders**

The pertinent clauses in the CIDB Standard Conditions of Tender are:

Clause	Heading	Action
F.3.11.2	Method 1: Financial offer	Rank tender offers from the most favourable to the least favourable comparative offer.

Clause	Heading	Action
F.3.11.3	Method 2: Financial offer and preferences	<p>b) Calculate the total number of tender evaluation points (<math>T_{EV}</math>) in accordance with the following formula:</p> $T_{EV} = N_{FO} + N_P$ <p>where: <math>N_{FO}</math> is the number of tender evaluation points awarded for the financial offer made in accordance with F.3.11.7;  <math>N_P</math> is the number of tender evaluation points awarded for preferences claimed in accordance with F.3.11.8.</p> <p>c) Rank tender offers from the highest number of tender evaluation points to the lowest.</p>
F.3.11.4	Method 3: Financial offer and quality	<p>b) Calculate the total number of tender evaluation points (<math>T_{EV}</math>) in accordance with the following formula:</p> $T_{EV} = N_{FO} + N_Q$ <p>where: <math>N_{FO}</math> is the number of tender evaluation points awarded for the financial offer made in accordance with F.3.11.7;  <math>N_Q</math> is the number of tender evaluation points awarded for quality offered in accordance with F.3.11.9.</p> <p>c) Rank tender offers from the highest number of tender evaluation points to the lowest.</p>
F.3.11.5	Method 4: Financial offer, quality and preferences	<p>b) Calculate the total number of tender evaluation points (<math>T_{EV}</math>) in accordance with the following formula:</p> $T_{EV} = N_{FO} + N_P + N_Q$ <p>where: <math>N_{FO}</math> is the number of tender evaluation points awarded for the financial offer made in accordance with F.3.11.7;  <math>N_P</math> is the number of tender evaluation points awarded for preferences claimed in accordance with F.3.11.8.  <math>N_Q</math> is the number of tender evaluation points awarded for quality offered in accordance with F.3.11.9.</p> <p>c) Rank tender offers from the highest number of tender evaluation points to the lowest.</p>

**Note:** In terms of F.3.11.6, financial offers, preferences and quality, as relevant, are to be scored to two decimal places.

**Action:**

Total tender evaluation points and rank tenderers as described in the Standard Conditions of Tender and record on Forms A or B, as appropriate (see Annexure 1).

## 6. Step 5: Perform a risk analysis

The pertinent clauses in the CIDB Standard Conditions of Tender are:

Clause	Heading	Action
F.3.11.2	Method 1: Financial offer	Recommend highest ranked tenderer for the award of the contract, unless there are compelling and justifiable reasons not to do so.
F.3.11.3	Method 2: Financial offer and preferences	Recommend tenderer with the highest number of tender evaluation points for the award of the contract, unless there are compelling and justifiable reasons not to do so.
F.3.11.4	Method 3: Financial offer and quality	Recommend tenderer with the highest number of tender evaluation points for the award of the contract, unless there are compelling and justifiable reasons not to do so.

Clause	Heading	Action
<b>F.3.11.5</b>	Method 4: Financial offer, quality and preferences	Recommend tenderer with the highest number of tender evaluation points for the award of the contract, unless there are compelling and justifiable reasons not to do so.
<b>F.3.13.1</b>	Acceptance of tender offer	<p>Accept the tender offer, if in the opinion of the employer, it does not present any unacceptable commercial risk and only if the tenderer:</p> <ul style="list-style-type: none"> <li>a) is not under restrictions, or has principals who are under restrictions, preventing participating in the employer's procurement;</li> <li>b) can, as necessary and in relation to the proposed contract, demonstrate that he or she possesses the professional and technical qualifications, professional and technical competence, financial resources, equipment and other physical facilities, managerial capability, reliability, experience and reputation, expertise and the personnel, to perform the contract,</li> <li>c) has the legal capacity to enter into the contract,</li> <li>d) is not insolvent, in receivership, bankrupt or being wound up, has his affairs administered by a court or a judicial officer, has suspended his business activities, or is subject to legal proceedings in respect of any of the foregoing,</li> <li>e) complies with the legal requirements, if any, stated in the tender data, and</li> <li>f) is able, in the opinion of the employer, to perform the contract free of conflicts of interest.</li> </ul>

**Actions:**

- 1) Confirm that tenderer:
  - a) is not under any restrictions, or has principals who are under any restrictions from participating in public procurement;
  - b) can demonstrate the he/ she possesses the necessary professional and technical qualifications, professional and technical competence, financial resources, equipment and other physical facilities, managerial capability, reliability, experience, and reputation, and the personnel to perform the contract;
  - c) has legal capacity to enter into a contract;
  - d) is not insolvent, in receivership, bankrupt or being wound up, or has its affairs administered by a court or a judicial officer, has suspended its business activities, or is subject to legal procedures in respect of any of the foregoing;
  - e) satisfies legal requirements; and
  - f) does not have conflicts of interest which may impact on his / her ability to perform the contract in the best interests of the employer.

**Note:**

- 1 Tenderers who submit tenders for public contracts must be in good standing with South African Revenue Services in so far as their tax obligations are concerned.
- 2 The Construction Industry Development Regulations require contractors engaged in public engineering and construction works contracts to be registered with the Construction Industry Development Board in an appropriate contractor grading designation or higher. (See Best Practice Guideline A6, *Applying the registers to construction procurement*). Sub-Regulation 25 (9) of the Construction Industry Development Regulations reads as follows:  
*An employer must, before awarding a construction works contract, satisfy him or herself that the contractor concerned -*
  - (a) *is registered in terms of these Regulations;*
  - (b) *is not prohibited in terms of any legislation from submitting tender offers or expressions of interest to an organ of state; and*
  - (c) *has demonstrated that-*
    - (i) *he or she has the resource capacity or capability specific to the contract concerned;*
    - (ii) *his or her capacity to perform the construction works concerned will not be unduly compromised on the award of the contract concerned.*

3 Most banks can be approached for a recommendation relating to the financial capability of a contractor to finance a proposed contract. Typically they require a contract amount and a contract period and provide the following ratings:

- A- undoubted / excellent
- B- good for amount quoted
- C- average/ good if strictly in the line of business
- D- fair trade risk
- E- figure considered too high
- F- financial position unknown
- G- paper occasionally dishonoured
- H- paper frequently dishonoured

A "C" rating is generally acceptable.

2) Perform a risk analysis on the tenderer having the highest ranking / number of points to ascertain if any of the following, as relevant, present an unacceptable commercial risk to the employer:

- a) unduly high or unduly low tendered rates or amounts in the tender offer;
- b) contract data provided by the employer; or
- c) the contents of the tender returnables which are to be included in the contract.

**Note:**

- 1 The reasonableness of the data provided by tenderers in the Contract Data also needs to be considered. In particular, the following needs to be carefully scrutinized, and if necessary adjusted through process of negotiation as they serve the basis for the assessment of the cost component of compensation events / variation orders:
  - o Professional service contracts: The staff rates.
  - o Engineering and Construction Works contracts: The hourly rates for Actual cost of manufacture or fabrication outside of the Working Area; the percentage for manufacture or fabrication overheads; the hourly rates for Actual Cost of design outside of the Working Areas; the percentage for design overheads; the percentage for Equipment depreciation and maintenance of special and non special items; and the percentage for Working Overheads.
  - The percentage for overheads and profit added to the Contractor's Cost for people and the percentage for overheads and profit added to other Contractor's costs.
- 2 Unreasonably high rates, which a tenderer refuses to rectify can also be sufficient ground for the overlooking of a tenderer.
- 3) Approach tenderer to amend any part of the tender submission that presents an unacceptable commercial risk, if relevant.
- 4) Recommend highest ranked tenderer / tenderer with the most evaluation points for the award of the contract or if found to be unsatisfactory, undertake an analysis on the next highest ranked tenderer and so on until such time as a tenderer satisfies the risk assessment.

## **7. Step 6: Prepare a tender evaluation report**

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### **Action:**

Prepare tender evaluation reports, preferably using the following headings and the forms contained in Annexure 1 (see also Annexure 2):

- Section 1: Summary
- Section 2: An overview of the tender evaluation process
- Section 3: Tender evaluation forms
- Section 4: Reasons for the elimination of tenderers
- Section 5: Recommendations for the award of the tender

### **Guidelines for the preparation of a tender evaluation report**

#### **Section 1: Summary**

The summary should provide information in respect of the following:

- Contract No.
- Contract description
- Targeting strategy (including basic parameters) eg direct participation, resource specification number, maximum goal above which no further tender evaluation points are awarded, target groups / direct preference, target groups / specific goals)
- Contracting strategy
- Pricing strategy
- Procurement procedure
- Tender validity expiry date
- Tender closing date
- Date of advertisement
- Place where advertised
- Method of tender evaluation (method 1,2,3 or 4)
- Number of tenders received
- Number of responsive tenders
- Recommended tender
- Cost estimate (budget)
- Lowest responsive and realistic tender used for comparative purposes (tender price, specific goals etc)
- Contract particulars.

## **Section 2: An overview of the tender evaluation process**

This section should describe the procedures followed when evaluating tender offers, including a description of the tender evaluation criteria, the methodology followed (Methods 1 or 2) and the steps followed in the evaluation process. It should also contain the quality criteria and an overview as to how the quality aspects of the tender were scored.

## **Section 3: Tender evaluation forms**

In this section, include the relevant tender evaluation forms (see proformas). These forms are and should be used in conjunction with the following methodologies:

Method 1 (financial offer)	:	nil
Method 2 (Financial offer and preferences)	:	Forms 1, 3 and 4
Method 3 (Financial offer and quality)	:	Forms 2 and 3
Method 4 (Financial offer, quality and preferences)	:	Forms 2, 3 and 4

**Note:** where tenderers submit tender offers for the whole or part of the work, tenderers submitting offers for a common part of the work should be scored on a set of forms. In such cases several sets of forms will be required to arrive at a recommendation.

## **Section 4: Elimination of Tender Offers**

In this section, describe the reasons for eliminating tender offers. Examples of reasons for eliminating tender offers from further consideration include:

- The tender offer was not signed by the contractor.
- Following interviews it became clear that the contractor had grossly under estimated the tender price.
- The comparative offer was more than twice the lowest acceptable comparative offer.
- It was found that the financial standing of this contractor was precarious and that he probably be unable to furnish the required performance guarantee.
- It was found that the largest contract previously awarded to the contractor was very small, still in progress, and 2 months overdue.

## **Section 5: Recommendations for the award of the tender.**

In this section, describe the reasons for recommending a tender offer. Examples of a recommendation is as follows:

*It is recommended that Tender Ref \_\_\_\_ be awarded to Contractor \_\_\_\_ at a price of R \_\_\_\_ , subject to adjustment in terms of the contract:*

*The contractor \_\_\_\_ can be recommended for the following reasons:*

- 1) *The contractor's financial standing is acceptable (rating from bank i.e. good for normal business).*
- 2) *The tender price is \_\_\_\_ % below the cost estimate for the contract.*
- 3) *The contractor has furnished the Employer with a letter of intent from his bank to provide a \_\_\_\_ % bank guarantee.*
- 4) *The contractor has satisfactorily completed several contracts of a similar size and nature.*

#### **Section 6: Confirmation of recommendations for the award of the tender**

In this section, make provision for the recommendations for the award of the tender to be confirmed or amended.

#### **8. Step 7: Confirm recommendation contained in the tender evaluation report.**

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##### **Action:**

Submit tender evaluation report to persons identified in the institution's procurement policy for their confirmation of the recommendation for the award of the contract.

## **Annexure 1: Proforma forms to facilitate the evaluation of tenders**

Form 1: Financial offer and preferences

Form 2: Financial offer, quality and preferences

Form 3: Scoring of financial offer

Form 4: Scoring of preferences (Direct preference and direct participation)



# **TENDER OFFER EVALUATION REPORT**

## Form 1: Financial offer and preferences

**TENDER REF NO.:** .....

**DESCRIPTION OF WORK:**.....

RECOMMENDED TENDERER:.....

NOTE: If highest ranked tender offer is not recommended for the award of the contract, attach a brief report citing reasons for not recommending that tender offer.

#Insert name of target group if direct preference option is used and contract participation goal if direct participation option is used.

\*Calculate preferences separately on form provided.

\*\* Calculate points for financial offer separately on form provided.



# **TENDER OFFER EVALUATION REPORT**

## Form 2: Financial offer, quality and preferences

**TENDER REF NO.:** .....

**DESCRIPTION OF WORK:**.....

**RECOMMENDED TENDERER:** .....

**NOTE:** If highest ranked tender offer is not recommended for the award of the contract, attach a brief report citing reasons for not recommending that tender offer.

**NOTE:** If highest ranked target group is not recommended for the award of the contract, attach a brief report citing reasons for #Insert name of target group if direct preference option is used and contract participation goal if direct participation option is used.

\*Calculate preferences separately on form provided.

\*\* Calculate points for financial offer separately on form provided.

**TENDER OFFER  
EVALUATION REPORT****Form 3: Scoring of financial  
offer****TENDER REF. NO. ....****DESCRIPTION OF WORK.....**

$N_{FO} = W_F \times A$  where  $W_1 = \dots$  and  $A = \text{Formula 1} / \text{Formula 2}^*$  (delete that which is not applicable)

**Formula 1:**  $A = \frac{(1 + (P - P_m))}{P_m}$

**Formula 2:**  $A = \frac{(1 - (P - P_m))}{P_m}$

**FINANCIAL OFFER:** Price / discount / or fee \*(delete that which is not applicable)

**BASIS FOR COMPARATIVE OFFER:** (describe) .....

<b>Name of Tenderer</b>	<b>Financial Offer (P)</b>	<b>Comparative Offer (Pm)</b>	<b>Is offer realistic? (Yes / No)</b>	<b>Points for Financial Offer</b>

**Note:** Negative values will result in formula 2 where  $P > 2 \times P_m$ . Tenderers who are in excess of this amount should not normally be scored as it will be unlikely that they will be awarded the tender



## TENDER OFFER EVALUATION REPORT

### Form 4: Scoring of preferences ( Direct preference and Direct Participation)

TENDER REF. NO. ....

DESCRIPTION OF WORK.....

Direct Preference Option: Preference =  $W_p \times (D_T) / (X)$  and  $P \leq W_p$

Where:  $W_p = 10 / 20$  (delete inapplicable value)

$D_T$  is the tendered Contract Participation Goal

$X$  is the maximum Contract Participation Goal

above which no further tender adjudication points are awarded = .....%.

Direct Preference Option: Preference =  $W_p \times D / 100$

Where:  $W_p = 10 / 20$  (delete inapplicable value)

$D$  = points for target group as provided for in the Tender Data

Name of Tenderer	Preference Claimed (State targeted enterprise or tendered contract participation goal)#	Adjusted claim for preference or contract participation goal*	Is tenderer eligible for preference? (Yes / No)	Points for preference

\* If this value differs from the tendered Contract Participation Goal for any reason acceptable to the Employer, the adjusted Contract Participation must be entered into the schedule of deviations contained in the Form of Offer and Acceptance.

#Insert name of target group if direct preference option is used and contract participation goal if direct participation option is used.

## Annexure 2: Example of tender evaluation report

### PROFORMA TENDER EVALUATION REPORT

#### SECTION 1: SUMMARY

<b>Contract No.</b>	:	77/03
<b>Contract description</b>	:	Permanent Link Road (Kloof extention 1)
<b>Targeting strategy</b>	:	Direct participation
Resource Specification Used	:	SANS 1914-1
Target group	:	Women business enterprises
Maximum resource goal specified for evaluation points :	:	40 %
<b>Contracting strategy</b>	:	Design by employer
<b>Pricing strategy</b>	:	Bills of quantities
<b>Procurement procedure</b>	:	Open procedure
<b>Tender validity expiry date</b>	:	17-08-2003
<b>Tender closing date</b>	:	17-06-2003
<b>Date of advertisement</b>	:	17-05-2003
<b>Place where advertised</b>	:	Government Tender Bulletin No. 1805
<b>Method of tender evaluation:</b>	:	Method 2 (Financial offer and preferences)
<b>Number of tenders received</b>	:	9
<b>Number of responsive tenders</b>	:	8
<b>Recommended tender</b>	:	G
Tender Price	:	R2 650 615
Contract Participation Goal	:	35 %
<b>Cost estimate</b>	:	R2 600 000
<b>Lowest responsive and realistic tender</b>	:	B
<b>Tender price</b>	:	R2 395 112
<b>Contract participation goal</b>	:	15 %
<b>Contract particulars</b>		
1		Contract period is 52 weeks calculated from the date of the letter of acceptance.
2		The contract price is subject to escalation.
3		The tender amount includes 14 % Value Added Tax.
4		The tender amount includes a 5 % contingency amount.
5		The work comprises the construction of a surfaced road complete with stormwater structures.

#### SECTION 2: AN OVERVIEW OF THE TENDER EVALUATION PROCESS

The tenders were evaluated by the consulting firm A in accordance with the procedures established in the Best Practice Guideline #A3 in respect of method 2. The capacity and capability of preferred tenderers was established. Those that did not have the capability and capacity to perform the work were rejected.

#### SECTION 3: TENDER EVALUATION FORMS

The relevant and completed tender evaluation forms are as follows:

**TENDER OFFER EVALUATION  
REPORT****Form 1: Financial offer and preferences****TENDER REF NO.: ...77/03****DESCRIPTION OF WORK:**

Permanent Link Road (Kloof extention 1)

Name of Tenderer	Category of Preference#	Points for Financial Offer** (1) (From Form 3)	Points for Preference* (2) (From Form 4)	Total Tender Evaluation Points (1) + (2) = (3)	Ranking of Total Tender Evaluation Points
A	cpg (SANS 1914-1)	eliminated	eliminated	eliminated	eliminated
B	cpg (SANS 1914-1)	90,00	3,75	93,75	2
C	cpg (SANS 1914-1)	eliminated	eliminated	eliminated	eliminated
D	cpg (SANS 1914-1)	88,67	6,75	95,42	1
E	cpg (SANS 1914-1)	85,61	3,75	89,36	3
F	cpg (SANS 1914-1)	80,83	eliminated	eliminated	eliminated
G	cpg (SANS 1914-1)	80,40	8,75	89,15	4
H	cpg (SANS 1914-1)	78,05	0	78,05	5
I	cpg (SANS 1914-1)	eliminated	eliminated		eliminated

**RECOMMENDED TENDERER:.....G.....**

NOTE: If highest ranked tender offer is not recommended for the award of the contract, attach a brief report citing reasons for not recommending that tender offer.

#Insert name of target group if direct preference option is used and contract participation goal if direct participation option is used.

\*Calculate preferences separately on form provided.

\*\* Calculate points for financial offer separately on form provided.



**TENDER OFFER  
EVALUATION REPORT**

**Form 3: Scoring of financial  
offer**

**TENDER REF. NO. ....77/03.....**

**DESCRIPTION OF WORK.....**

Permanent Link Road (Kloof extention 1)

$N_{FO} = W_F \times A$  where  $W_1 = \dots 90 \dots \dots$  and  $A = \frac{1 + (P - P_m)}{P_m}$  \* (delete that which is not applicable)

$$\text{Formula 1: } A = \frac{(1 + (P - P_m))}{P_m}$$

$$\text{Formula 2: } A = \frac{(1 - (P - P_m))}{P_m}$$

**FINANCIAL OFFER:** Price / discount / or fee \*(delete that which is not applicable)

**BASIS FOR COMPARATIVE OFFER:** (describe) .....Financial offer (price escalation is applicable to all tenderers).....

<b>Name of Tenderer</b>	<b>Financial Offer (P)</b>	<b>Comparative Offer (Pm)</b>	<b>Is offer realistic? (Yes / No)</b>	<b>Points for Financial Offer</b>
A	1 895 400	1 895 400	eliminated	eliminated
B	2 395 112	2 395 112	YES	90,00
C	2 397 010	eliminated	eliminated	eliminated
D	2 430 617	2 430 617	YES	88,67
E	2 511 812	2 511 812	YES	85,61
F	2 639 101	2 639 101	YES	80,83
G	2 650 615	2 650 615	YES	80,40
H	2 713 109	2 713 109	YES	78,05
I	4 482 595	4 282 595	No	eliminated

**Note:** Negative values will result in formula 2 where  $P > 2 \times P_m$ . Tenderers who are in excess of this amount should not normally be scored as it will be unlikely that they will be awarded the tender



## TENDER OFFER EVALUATION REPORT

### Form 4: Scoring of preferences ( Direct preference and Direct Participation)

TENDER REF. NO. ....77/03.....

#### DESCRIPTION OF WORK.....

Permanent Link Road (Kloof extention 1).....

Direct Participation Option: Preference =  $W_P \times (D_T) / (X)$  and  $P \leq W_P$

Where:  $W_P = 10 / 20$  (delete inapplicable value)

$D_T$  is the tendered Contract Participation Goal

$X$  is the maximum Contract Participation Goal

above which no further tender adjudication points are awarded = 40.....%.

Direct Preference Option: Preference =  $W_P \times D / 100$

Where:  $W_P = 10 / 20$  (delete inapplicable value)

$D$ = points for target group as provided for in the Tender Data

Name of Tenderer	Preference Claimed (State targeted enterprise or tendered contract participation goal)#	Adjusted claim for preference or contract participation goal*	Is tenderer eligible for preference? (Yes / No)	Points for preference
A	15%	eliminated	eliminated	eliminated
B	15%	15%	yes	3,75
C	25%	eliminated	eliminated	eliminated
D	27%	20%	yes	6,75
E	15%	15%	yes	3,75
F	40%	0%	no	eliminated
G	35%	35%	yes	8,75
H	0%	25%	no	0
I	25%	eliminated	eliminated	eliminated

\* If this value differs from the tendered Contract Participation Goal for any reason acceptable to the Employer, the adjusted Contract Participation must be entered into the schedule of deviations contained in the Form of Offer and Acceptance.

#Insert name of target group if direct preference option is used and contract participation goal if direct participation option is used.

## SECTION 4: REASONS FOR THE ELIMINATION OF TENDERERS

Reasons for the elimination of tenders from further consideration at various stages of the evaluation process are as follows:

### **Tenderer C**

The tender was declared unresponsive as:

- a) it was not signed by the tenderer; and
- b) was qualified to allow the use of base course material of inferior standard to that specified.

Although the tenderer offered, after the opening of tenders, to withdraw this qualification, the competitive positions of other responsive tenders could have been prejudiced if this had been permitted.

### **Tenderer A**

This tender was 27,1% below the estimated cost. The tenderer was interviewed regarding the make-up of his tender and it was clear that he had grossly under-provided for establishment and overhead costs. Although the tenderer was keen that his tender should remain in contention, there is no doubt that he would have incurred appreciable losses if he were to have been awarded the contract. The tender was, accordingly, eliminated from further consideration.

### **Tenderer I**

The comparative price for this tender was more than twice the lowest acceptable comparative offer was, accordingly, eliminated from further consideration.

### **Tenderer F**

In view of the high contract participation goal tendered, certain inconsistencies encountered in the tendered goal calculation and some doubt about the declaration affidavits, the tenderer was interviewed to obtain clarification. It became clear that the tenderer was attempting to secure a preference on a fraudulent basis. The persons cited in the declaration affidavit as being women principals were not registered as such. It transpired that these women were the sisters of the actual owners of the businesses. The tender was, accordingly, eliminated from further consideration.

### **Tenderer D**

This tender, which had been awarded the highest number of total points of the remaining tenderers was subjected to risk analysis.

It was found that the financial standing of this tenderer was precarious and that he would be unable to furnish the required performance guarantee. The tender was, accordingly, eliminated from further consideration.

### **Tenderer B**

The tender with the next highest number of total points, Tenderer B's tender, was then subjected to risk analysis.

It was found that the largest contract previously awarded to the tenderer was for an amount of some R500 000. This contract is still in progress, completion being 2 months overdue, and the consultants advised that quality of the contractor's work has been, generally, very poor, much work having had to be repeated.

In view of the foregoing, it would, clearly, be unwise to award the contract to Tenderer B, whose tender was, accordingly, eliminated from further consideration.

## SECTION 5: RECOMMENDATIONS FOR THE AWARD OF THE TENDER

It is recommended that Contract 77/03 be awarded to Tenderer G at a price, subject to adjustment in terms of the contract, of R2 650 615.

Tenderer G can be recommended for the following reasons:

- a) The tenderer's financial standing is acceptable (C rating from bank, i.e. good for normal business).
- b) The tender price is 2,0 % above the cost estimate for the contract.
- c) The tenderer has provided a letter of intent from his bank to provide a 10 % surety.

The tenderer has satisfactorily completed several contracts of a similar size and nature.

## SECTION 6: CONFIRMATION OF RECOMMENDATIONS FOR THE AWARD OF THE TENDER

I the undersigned, hereby (*delete that which is not applicable*):

- a) confirm the recommendation for the award of the tender; or
- b) require the contract to be awarded to ..... at a price  
of .....  
for the following reasons:

Signed: ..... Date: .....

Name: .....

Capacity: .....