Procurement Processes and Tools

Methods of Procurement

There are different methods of procurement, which are utilized to acquire goods or services. There are many factors which determine which method is best, but the most important of these would be: the complexity of your need, the value of the procurement, your time horizon, the availability of potential suppliers, the interest of potential suppliers in competing for this procurement, and the risk if something goes wrong during the process. All these factors will influence the procurement strategy and the selection of the best method of procurement in a given situation.

The procurement process can range from simply deciding to directly award (sole source) a contract to a multi-stage process that involves information gathering, pre-qualification and solicitation activities.

Purchasing Activities

A Request for Tenders (RFT) is a priced based bidding process that is used when the solution(s), specification(s), performance standard(s), and timeframe(s) are known. Potential bidders are provided with all project information - except price – and the evaluation of the bids is based only on price. A RFT is rarely a multi-step process.

A Request for Proposals (RFP) is a project-based process involving solution, qualifications, and price as the main criteria that define a winning proponent. The RFP is used mainly to acquire services when purchaser wants to review and implement different and new solutions to a problem, project, or business process. An RFP can range from a single-step process for straightforward procurements to a multi-stage process for complex and significant procurements.
Proposals versus Tenders

A proposal is different from a tender. Unlike a tender, an RFP is not an offer, but only contemplates an offer. Unlike the receipt of a tender, the receipt of a proposal is not an acceptance, and therefore does not result in a contract. For example, a marriage proposal does not always result in an agreement of marriage.

- An RFP is used when the purchaser is looking for the best value solution to resolve a problem or to deliver a good or service, but is not exactly sure how to achieve it.
- A tender is used when the purchaser knows exactly what good or service they want and is looking for the best price to deliver it.

The difference between a tender and a proposal is well explained in a recent NWT court judgement:

“When the Government knows what it wants and how it should be done (such as a construction project), it will already have its plans and specifications and is looking simply for the best price. On the other hand, when the Government knows what it wants done, but not how to go about doing it, it seeks proposals on methods, ability, and price. Then it can negotiate on the best method to achieve the best value.” (1) Socanav Inc and the GNWT et al., SCNT, Vertes, Aug 5, 1993

When to Use a Proposal or a Tender

To determine whether to use an RFP or a tender, consider the following:

Tender - Know What and How

Use a tender if you know what you want done and how it should be done:

- if the good or service is clearly defined; or
- if there is a detailed methodology, procedure, or material and performance specification
Proposals - Know What, but Not How

Use an **RFP** if you **know what** you want done, **but** you do **not know how** it should be done, that is:

- if the good or service is **not** clearly defined; or
- if there is **no** detailed material or performance specification; or
- if you are looking for a general solution to a problem; or
- if the proponent’s solutions are expected to be quite varied and/or difficult to evaluate.

Information Gathering Activities

Information gathering activities are processes used to obtain information on the availability of goods or services, the availability of potential suppliers, and the level of interest in the procurement. These activities are not competitive processes as they are not requesting quotes or proposals.

Request for Expressions of Interest

A Request for Expressions of Interest (REOI) process is used when you may have a requirement for a sophisticated, multi-skilled team or specialized knowledge and very few companies seem to possess the necessary skills or experience. This methodology is sometimes used to find other contractors with the “right stuff” and get them interested in the project.

This process is not generally used to disqualify potential contractors, nor to create a short list for an invitational RFP.

Content – What to Include

The Expression of Interest document should:

- clearly define the opportunity and the project;
- provide a solid plan with time lines;
- clearly state your priorities;
include a general outline of the evaluation criteria for the subsequent RFP selection, or for any intervening stages;

- address potential questions and invite those who are interested to respond.

Instructions to the potential respondents may also include submission length and required content, such as:

- team/corporate partners;
- key personnel;
- financial and surety information (if applicable);
- project experience, and
- approach to the project.

**Request for Information**

A Request for Information (RFI) means a procurement procedure where suppliers are provided with a general or preliminary description of a problem or need and are requested to provide information or advice about how to better define the problem or need, or alternative solutions. It may be used to assist in preparing a solicitation document. No contract awards are made directly from a request for information.

**Pre-qualification Activities**

Pre-qualification activities use a Request for Qualifications (RFQ) process to pre-qualify suppliers who will then compete on the procurement.

**Request for Qualifications**

A Request for Qualifications is a process that will enable you to pre-qualify proponents for a particular requirement and avoid having to struggle with a large number of lengthy proposals.

This process is useful when you anticipate a great deal of interest, and need to screen many contractors so you can move quickly to a short list of qualified proponents for a full RFP process.

It also limits the number of potential bidders who will be required to go to the expense of preparing a detailed proposal.
What to Include:

A Request for Qualifications document should:

- describe the project;
- provide a project plan with time lines;
- clearly present your priorities;
- suggest a submission length, and
- ask for the same basic contractor information as an Expression of Interest.

This process also needs to:

- identify the minimum requirements or pass/fail tests that each contractor must satisfy in order to be invited to participate in the RFP;
- set out the criteria that would otherwise appear as “mandatory” in the RFP.

Benefits

There are several benefits in using this process:

- unqualified or inexperienced contractors are removed from the selection process;
- it is less costly to the proponents;
- you will likely receive better proposals from proponents who feel they have a good chance of winning;
- fewer proposals will reduce the evaluation burden.

Important Note

Often Request for Expressions of Interest and Requests for Qualification are combined under the “Expressions” banner to pre-qualify potential or interested suppliers. However, departments are encouraged to use the RFQ for the pre-qualification process as it more clearly communicates to potential bidders and proponents that the process is looking for qualifications not just expressions of
interest.