Bid Evaluation Committee - Goods
## Unit Outcomes

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Introduction

• It is not possible to compile rigid rules that have to be followed in the bid evaluation and adjudication process.

• It is essential that persons should study all bids received in an intelligent manner so as to establish the relevance between the given facts and the appropriate directives.

• Bids must be evaluated against the evaluation criteria and conditions indicated in the bidding documents.

• The conclusion of contracts could have far-reaching consequences.
Bid Evaluation Committee

Composition of Evaluation Committees
Functions of Evaluation Committees
Powers of a Bid Evaluation Committee
First Screening against Statutory Mandatory Criteria
Second Screening for Compliance (Technical Criteria Screening)
Pre-determined Criteria
Counter Proposals
Disqualifying Proposals
Extension of Validity Periods
Calculating the Points for Qualifying Bids
Discounts
Calculate Preference Points for HDIs
The evaluation is a multi-disciplinary committee that must comprise as far as possible of:
- officials from departments requiring the goods or services;
- At least one supply chain management practitioner of the municipality or municipal entity.
- The end-user will ensure compliance to the functional requirements and the supply chain management officials will oversee the entire process. All appointments to the committee are approved by the accounting officer or his/her delegated official.
The bid evaluation committee is responsible to evaluate bid response according to the evaluation criteria established with the end-user before bid publication. The evaluation criteria cannot be amended after the closing date for responses as this compromise the fairness of the bid process.

The committee must evaluate bids according to the point system as stipulated in the PPFA and its regulations.

The committee must check in respect of each recommended bidder whether municipal rates are not in arrears.

The committee must submit to the adjudication committee a report and recommendation regarding the awarding of the bid or any other related matter.
Bid Evaluation Committee

Powers of a Bid Evaluation Committee

• The bid evaluation committee will decide on the preferred supplier and make a recommendation to the adjudicating committee for an award.
The bids must be checked against the statutory non-technical mandatory criteria for compliance. Bids that do not meet the criteria must be disqualified. Examples in this regard include:

- negative banking reports;
- non-submission of tax clearance certificates;
- not having the necessary capacity and/or capability;
- being listed on the Register for Tender Defaulters;
- Not completing the declaration of interest forms.

**Disqualifying proposals:**

- If a bid is not substantially responsive, it shall not be considered further. The bidder shall not be permitted to correct or withdraw material deviations or reservations once bids have been opened. When any bid is passed over or regarded as non-responsive, the reasons for passing over such bid must be defendable in any court of law.
Bidding documents shall also specify the relevant factors (in addition to price) to be considered in bid evaluation and the manner in which they will be applied for the purpose of determining the successful bid. For goods and equipment, other factors which may be taken into consideration include costs of inland transport and insurance to the specified site, payment schedule, delivery time, operating costs, efficiency and compatibility of the equipment, availability of service and spare parts, and related training, safety, and environmental benefits. The factors other than price to be used for determining the successful bid shall, to the extent practicable, be expressed in monetary terms, or given a relative weight in the evaluation provisions in the bidding documents.
• All the proposals received from the same bidder must be treated as if they are independent bids and be evaluated separately.
Proposals that do not meet the requirements for functionality, according to the specifications, will be disqualified from further evaluation, i.e. price and goals evaluation will not be conducted for these proposals. Reasons for disqualifying the proposals must be recorded.
• Institutions shall complete evaluation of bids and the award of a contract within the initial period of bid validity so that extensions are not necessary.

• An extension of bid validity required to complete the evaluation, obtain the necessary approval, and award the contract, if justified by exceptional circumstances, shall be requested in writing from all bidders. In the case of fixed price contracts, requests for second and subsequent extensions will be permissible only if the request for extension provides for an appropriate adjustment mechanism of the quoted price to reflect changes in the cost of inputs for the contract over the period of extension. Whenever an extension of bid validity period is requested, bidders shall not be requested or be permitted to change the right to refuse to grant such an extension without forfeiting their bid security, but those who are willing to extend the validity of their bid shall be required to provide a suitable extension of bid security.
Calculating the Points for Qualifying Bids

A maximum of 80 or 90 points is allocated for price on the following basis:

For 80/20:

\[ P_s = 80 \left[ 1 - \frac{P_t - P_{\text{min}}}{P_{\text{min}}} \right] \]

For 90/10:

\[ P_s = 90 \left[ 1 - \frac{P_t - P_{\text{min}}}{P_{\text{min}}} \right] \]

Where:

- \( P_s \) = Points scored for price of the bid under consideration.
- \( P_t \) = Rand value of the bid under consideration.
- \( P_{\text{min}} \) = Rand value of lowest acceptable bid.
• Discounts that have been offered without qualification must be taken into account when calculating comparative prices. Discounts offered on a qualified basis, e.g. discount for early payment, must not be taken into account.

• Institutions are, however, encouraged to utilise as far as possible any discounts offered.
Where:

NEP = Points awarded for equity ownership by an HDI
NOP = The maximum number of points awarded for equity ownership by an HDI in that specific category
EP = The percentage of equity ownership by an HDI within the enterprise or business, determined in accordance with the definition of HDIs.
Joint Ventures/Consortia

• Joint venture - “An association of persons for the purpose of combining their expertise, property, capital, efforts, skill and knowledge in an activity for the execution of a contract”.

• A consortium is a partnership between companies and is sometimes also referred to as a joint venture.

• The parties must enter into some form of agreement which will govern their relationship and how their business should be run.

• After successful completion of the contract, the consortium will dissolve and the parties will return to their normal business activities.

• Joint ventures are also widely used by companies to gain entrance into foreign markets.

• The forming of a joint venture or consortium between established enterprises and SMMEs / HDI companies is also encouraged to stimulate black economic empowerment by transferring of skills and capacity building.
Reasons – Establishing JVs

Shorten the Learning Curve:
- Building knowledge to expand into key markets, new products and improve productivity can be time-consuming and costly. Businesses gain lead time, share expertise and lower cost by forming joint ventures.

Enhance Company Credibility:
- Emerging businesses struggle with building acceptance within their market and customer base. A key alliance with a larger known branded company can dramatically improve credibility in the eyes of customers.

Create New Profit Channels:
- Emerging businesses have limited resources and capital for growth. By formulating a joint venture with a solid partner, the company can expand its sales force and distribution channels.

Build Competitor Barriers:
- A strategic alliance with several key players can erect impenetrable walls, keeping out competitors and maintaining high profit margins.
Elements – Successful JVs

Set clear Goals:
- Partners must know what need to be accomplished. Is it reduced product costs, expanded sales, or market credibility? Partner's goals may be different and needs to be clearly identified and agreed upon.

Find the correct partner:
- The best partnership is based on a mutual win-win relationship. If the merging business is focused on long-term customer relations and the strategic partner cares about gaining market share quickly, then the two cultures may clash.

Plan the Venture:
- Poorly executed and badly planned joint ventures are doomed from the start. Although the cost of forming alliances is inexpensive, the cost of not planning out the partnership is far greater in lost profits and failed relations. Understanding the legal aspects of the deal is crucial.

Manage the Relationship:
- Once a winning joint venture is formed, the real

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Benefits of JVs

- Provide emerging businesses with the opportunity to obtain new capacity and expertise.
- Allow emerging companies to enter into related businesses or new geographic markets or obtain new technological knowledge.
- Have a relatively short life span (5-7 years) and therefore do not represent a long-term commitment.
- Emerging companies can gradually separate as a business from the rest of the organization.
- Business Benefits
  - Developing or acquire marketing or distribution expertise
  - Sharing of scientists or professionals with unique skills
  - Financial support, or sharing of economic risk
  - Acceleration of revenue growth
  - Ability to increase profit margins
  - Expansion to new domestic markets
  - New product development.
Causes of JV Failures

- Cultural difference
- Poor or unclear leadership
- Poor integration process
A Consortium or Joint Venture may, based on the percentage of the contract value managed or executed by their HDI members, be entitled to equity ownership in respect of an HDI.

The number of points scored for a Consortium or Joint Venture must be added to the number of points scored for achieving specified goals.

The points contemplated in sub-regulation 9 must be added to the points scored for price, in order to establish the total number of points scored.

Subject to regulations 9 and 10, the contract must be awarded to the bid which scores the highest points.
Practical Exercises

Exercise No. 1:
Bids above R 500 000 – 90/10 Point System
Exercise No. 2: Bids valued above R 500 000: 90/10 Point System – Joint Ventures and Consortia
ACTIVITY 6: Calculate Points (Price, Functionality and Preference)

- Complete the practical exercises above, using the formulae as prescribed in the PPPFA.
Exercise No. 3: Evaluation of proposals for the supply of food ration packs for the SA Army
ACTIVITY 6: Calculate Points (Price, Functionality and Preference)
ACTIVITY 7: Motivate and Disqualify Service Providers

- Given a case study for the procurement of Food Rations for Security Forces during the FIFA 2010 world cup, evaluate the 3 submitted proposals above by:
  - Conducting the first and second screening with motivation for disqualifying certain providers.
  - Calculating points for price and preference for qualifying bidders.
  - Compiling a written submission with a recommendation to the Bid Adjudication Committee, using the template provided.
Conclusion

• The broad and timely notification and advertising of bid invitations are essential in competitive bidding.
• As the closing of bids (time and place) is of utmost importance to ensure transparency and fairness in procurement process; and as the opening of bids can be attended by bidders and the public, care must be taken that all officials concerned should conscientiously perform the relevant tasks.
• After studying this part officials involved with the consideration, evaluation, recommendation and adjudication of bids should realise that this task cannot be left to the untrained.
• The conclusion of contracts could have far reaching consequences and it is therefore essential that procurement officials should be knowledgeable and conversant with all the applicable acts, regulations and directives pertaining to this process.