# Lecture 17

How are Tenders evaluated?

# 19.jpg

Procurement Principles

Some tenderers still believe that Government buyers use only price as the criterion in selecting suppliers. This is not true.

The Government Departments evaluate the tenders according to some procurement principles, which are:

Open and effective competition;

Value for money;

Enhancing the capabilities of local business and industry;

Environmental protection;

Ethical behavior and fair dealing.

Sometimes social, personal and environmental objectives are emphasized. Value for money is generally the essential test and not the purchasing price alone. Quality and service may be equally important, to meet user requirements. Evaluation to achieve best value for money is include, but is not limited. The check list for evaluation of tenders is given below:

# Past Performance

* Standard of work
* Previous disputes/claims
* Degree of necessary supervision of the contractor
* Managerial/technical expertise
* Project delivery (on time), resources
* Product delivery
* Product quality - including back-up facilities
* The extent to which local sub-contractors nominated by the contractor, were used
* References (If any)

# Local Suppliers

* Commitment (Seriousness to carry out the project)
* Support/resources (sufficient resources for the project)
* Sub-contractors (if required)
* Products (quality & after sale service)
* Employees (enough manpower to complete the project on time)
* Research and Development (Potential for innovation)

# Total Cost of Project/Stores

# Operating

* Energy consumption/ratings/performance
* Repairs & maintenance
* Minimum performance standards Support services
* Spare parts (availability)
* Maintenance facilities (local) Warranties

Defect liabilities (usually mentioned in tender documentation)

# Life of product

* Potential for expansion
* Shelf Life
* Re-sale/disposal value or costs
* Replacement

# Quality

* Fitness for use.
* Level of assurance of continuing quality of product/service.
* Compliance with standards and regulatory requirements
* Alternatives

# Timeliness

* Supplies/Products/Services
* Availability/Delivery
* Operational and financial effects of earlier/later availability.
* Length of supply chain, its vulnerability to disruption
* Completion

# Alternative/Innovations

* Other than those called for in specifications

Circumstances can arise that justify technological risks and/or additional costs if improved best value for money can be expected over the longer term. This is where development of an innovative product or process is involved, particularly where patent rights are involved, or where there is a requirement to develop long-term competition to prevent a monopoly supplier from emerging.

* New technology
* Methods
* Solutions
* Products

# Environmental Factors

* Recycle
* Energy Conservation
* Pollution emission/control
* Manufacture processes
* Clearances

# Reasonableness of Price

# Saving Foreign Exchange

It is the policy of Pakistan Government to support local suppliers wherever price, performance, quality, suitability and other evaluation criteria are comparable with foreign manufacturers.

# Reasonable Profit

Provision for reasonable profit to supplier.

# Value for Money

Best value for money to purchaser

# Direct Cost

* Fixed
* Foreign exchange risks and costs
* Variable - differences in cost escalation formulae
* Awards rates
* Discounts
* Materials

# Indirect Cost

* Warranties and technical guarantees offered
* Service and maintenance
* Training
* Conversion or changeover costs from existing
* Equipment or systems
* Standard or workmanship/quality of materials
* Cost for supervision

# Operational Cost

* Running costs
* Spare parts, present and future

# Known Commitments

* Value of contracts in progress, including contracts/sub contracts not yet commenced,
* Capacity to supply Source of manufacture
* Ability to deliver supplies/perform services
* Awards rates
* Discounts
* Materials

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