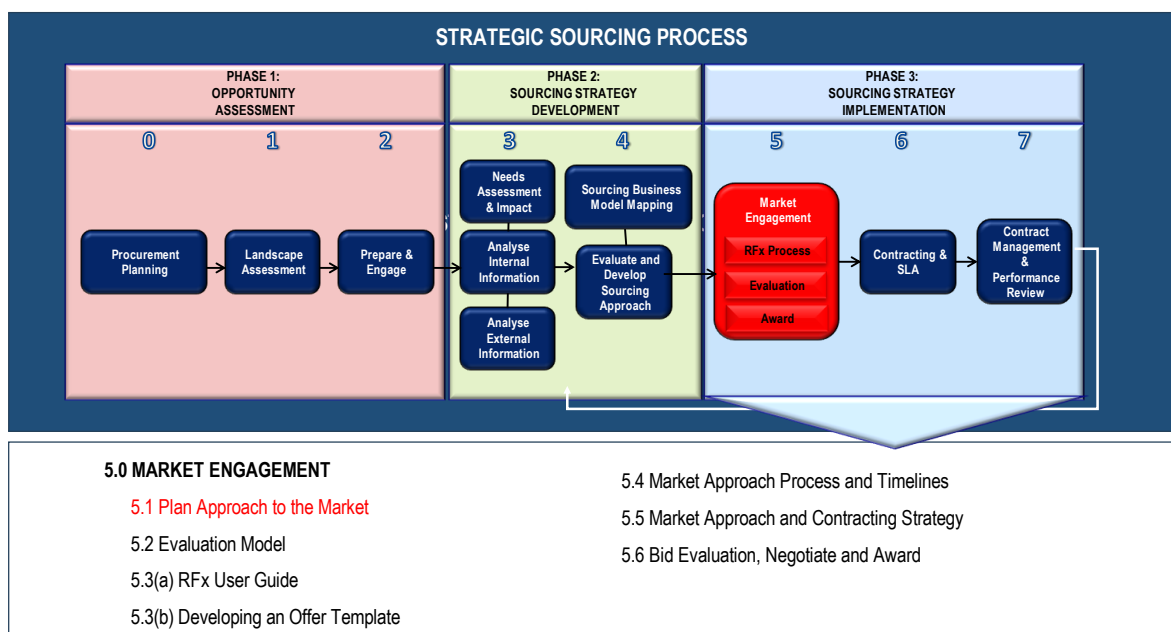


**Using this guide**

This guide accompanies the National Treasury's Strategic Procurement Framework (SPF) for Strategic Sourcing in the Public Sector. For more information, visit the National Treasury website at <http://ocpo.treasury.gov.za/>

The SPF can be found here:

[http://ocpo.treasury.gov.za/Resource\\_Centre/Documents/1A.%20Strategic%20Procurement%20Framework.pdf](http://ocpo.treasury.gov.za/Resource_Centre/Documents/1A.%20Strategic%20Procurement%20Framework.pdf)

**PLAN APPROACH TO THE MARKET****1.0 Introduction**

- i. The process of determining the approach to the market is the result of all the analysis and thinking to date.
- ii. The market approach provides direction on how the procuring institution decides to interact with the market.
- iii. It requires a structured approach that satisfies fairness, equity, competitiveness, cost-effectiveness and transparency.
- iv. The following good practice guides are applicable when planning an approach to the market:

- a. Basic process of engagement with the market
- b. Determine a differentiated approach to the market

### **1.1 The Objective**

- i. To decide on the most appropriate approach to the market whilst at the same time determining the most appropriate relational and economic model.

### **1.2 Output**

- i. Market approach
- ii. Most appropriate sourcing business model
- iii. Approved approach endorsed by the cross-functional sourcing team and the project sponsor

## **2.0 Good practice guides**

### **2.1 Basic process of engagement with the market**

- i. Strategic procurement planning includes a comprehensive review of all procurement aspects, aiming to align the institution's objectives with market value drivers as closely as possible.
- ii. Understanding the market and engaging with it most effectively, is crucial to achieving desired outcomes in a way that produces value for money.
- iii. Engaging the market can involve two stages.

#### **Stage 1:**

- i. A statement of basic requirements and request for response from interested suppliers with details of their capabilities (an 'expression of interest' and its variants).
- ii. Elements of this stage include:
  - a. Departmental preferred positions on value for money and continuous improvement.
  - b. Risk allocation between the parties.
  - c. Broad terms and conditions for the supply.
  - d. Process and timetable for contract award.

- e. Evaluation of responses to establish a shortlist of qualified suppliers with established capabilities.

**Stage 2:**

- i. Additional and more detailed information issued by institutions with requests for proposals from a shortlist (RFB and similar processes).
- ii. Elements of this stage include:
  - a. Draft contract documentation with specific terms and conditions released as part of a bid
  - b. Detailed quantities, deliveries and schedule of supply required
  - c. Key performance indicators
  - d. Service level agreements
  - e. Evaluation of responses
  - f. Negotiations
  - g. Determination of preferred supplier
- iii. By combining Stages 1 and 2 into a single 'open tender' structure, the open access requirements are met, but sometimes at a price in terms of evaluation cost and workload.
- iv. A single-stage process should be effective where goods and services are easily identified and will probably be distinguished on specific goals as well as the institution's specific goals and price grounds alone.
- v. In other cases, there is a range of goods and services with multiple delivery points and an expectation of demand and supply consolidation and ongoing service enhancements. In those cases, it is unlikely that a single-round engagement process will deliver the best result.
- vi. A two-stage process is where institutions issue a Request for Information (RFI) to obtain information to draft a specification.
  - a. After RFI responses are received, institutions may issue an RFP (Request for Proposal) An RFI is used to gather information, NOT to make a selection or an award.

- b. Request for Bid(RFB). An RFB is generally used to obtain pricing, delivery information, terms and conditions from suppliers.
- vii. Direct negotiations might deliver the final detailed enhancements, depending on the institution's stated preferences.
- viii. For compliance with fair access principles, bids are an open opportunity for all suppliers to compete for institution business – regardless of their capacity to deliver the tender requirements.
- ix. There is a clear format for such tenders, which is well understood by both the institution and the suppliers.
- x. However, in a small number of cases, it is questionable whether such an open tender is the best way of delivering the long-term value for money the institution seeks, and the most efficient process for suppliers.
- xi. There are many possible engagement models.
- xii. These range from direct appointment (where there is a sole supplier), to single and multiple staged approaches, to electronic bidding systems and reverse auctions.
- xiii. Each set of circumstances will suggest an optimum approach, with the advantages and disadvantages of each requiring analysis.
- xiv. The procurement team's judgment will be called on in making the final determination.

### **2.1.1 Single or multi-stage tender**

- i. A single-stage tender is where potential suppliers or contractors are invited to submit a bid for the entire project or contract in one stage.
- ii. This includes detailed design, cost and programme information.
- iii. The bids are then evaluated and a single contract is awarded to the successful bidder.
- iv. A multi-stage procurement or tender involves an initial approach to the market followed by one or more subsequent approaches to the market (for example, inviting expressions of interest followed by a request for tender).<sup>1</sup>

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<sup>1</sup> <https://www.finance.gov.au/sites/default/files/2020-01/multi-stage-procurement.pdf>

- v. Options for a single-stage process are Request for Quote (RFQ), or Request for Bid (RFB).
- vi. Options for a two-stage tender are Pre- Qualification Request for Proposal (through which suppliers are short-listed based on functionality) followed by a Request for Bid sent to shortlisted suppliers.
- vii. The decision as to which is most appropriate will vary depending on the nature, scope, value, level of risk and complexity of the procurement.
- viii. In an open tender where a large number of responses are anticipated, it may be preferable to opt for a two-stage approach.
- ix. This means shortlisting after stage one.
- x. It ensures that only qualifying or eligible suppliers put in the time and expense of preparing full tenders or proposals.

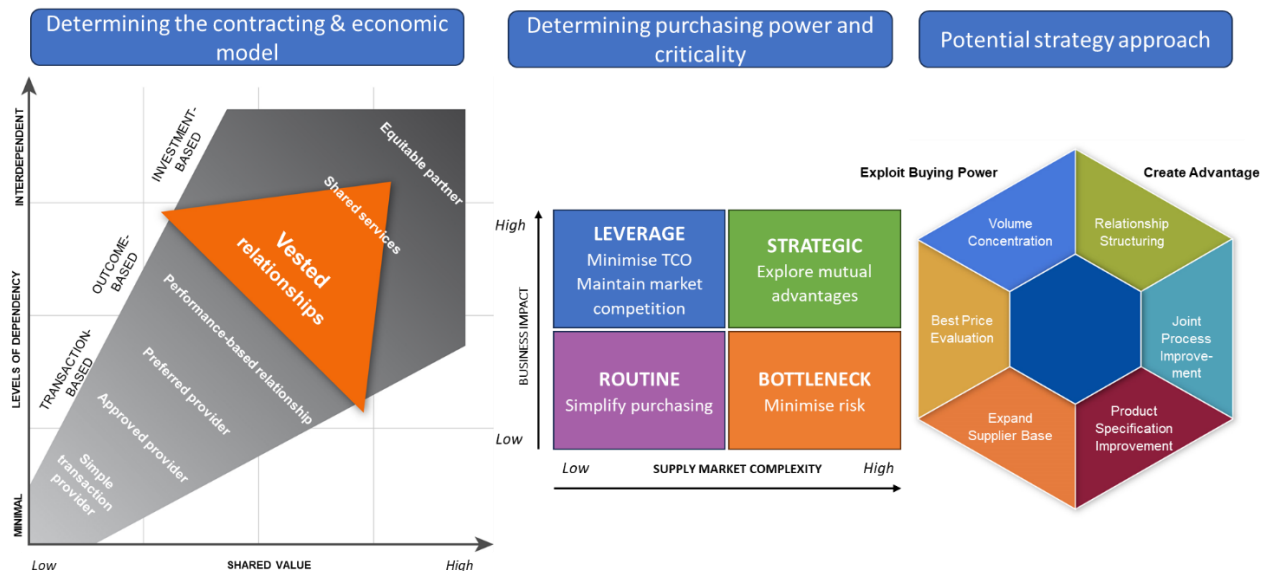
### **2.1.2 One or two envelope systems**

- i. Where you want to ensure that price does not influence the evaluation of the functionality, a two-envelope process can be used.
- ii. In this case, the supplier submits its offer in two sealed envelopes:
  - a. Envelope 1: the response to the requirements.
  - b. Envelope 2: all pricing information.
- iii. It is essential that no pricing information is contained in the first envelope or seen by the evaluation panel before the evaluation and scoring on the functionality is complete.
- iv. Only once the scoring is completed should the pricing information be disclosed to the evaluation panel.

### **2.2 Determine a differentiated approach to the market**

- i. What does the matrix propose?
- ii. The market approach will reflect the relational and economic model desired.
- iii. In determining the most appropriate sourcing approach, a combination of tools can be applied, as shown in Figure 1.

- iv. At this stage, the procuring institution is bringing together all the aspects regarding the sourcing business model, the positioning and the gemstone complements.



**Figure 1: Differentiated Approach to Procurement**

- v. Good procurement practice in both the government and private sector relies on the clear process of approval delegation.
- vi. Before formally engaging with the market, first get the appropriate approval from the relevant committee(s) within the institution's governance structure.

### 3.0 Templates

Not applicable