



## **PRACTICE FOR THE SELECTION OF CONTRACTUAL SOURCES**

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**SUMMARY: THIS DOCUMENT ESTABLISHES THE PRACTICE FOR SELECTING CONTRACTORS IN ALL OFFER PROCESSES.**

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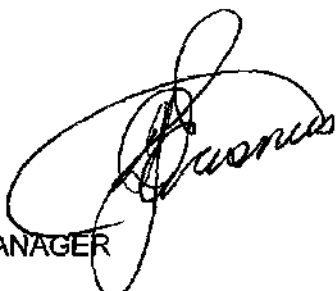
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BY THE MANAGEMENT BOARD**

ON 21 July 2014

  
SECRETARY ARMSCOR

**TO BE APPROVED BY MANAGEMENT BOARD**

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## 1 SCOPE

This document sets out the practice for the selection of contractors –

- a) That can best meet Armscor's and its client's requirements as described in the relevant Request for Offer.
- b) In a manner that ensures an impartial, equitable and comprehensive evaluation of each offer.
- c) In accordance with the requirements of the Preferential Procurement Policy Framework Act, Act 5 of 2000, the Preferential Procurement Regulations, 2011, the Implementation Guide to the Preferential Procurement Regulations dated 1 December 2011, and the Instruction Notes (various) on Local Content Requirements, issued by National Treasury.

### 1.1 Overview

The contractor source selection process entails the evaluation of offers against a value system by an appropriately qualified evaluation panel.

The contractor source selection process is initiated in Armscor after a valid requirement has been received, and several fundamental principles apply:

- a) An evaluation panel is appointed. The panel members are knowledgeable in the applicable fields, e.g. technical, financial, quality, or other.
- b) The panel members provide independent and objective input and do not wilfully influence other panel members.
- c) The panel shall decide if offers are to be evaluated with<sup>1</sup> or without functionality<sup>2</sup> as stipulated by the Preferential Procurement Regulations (PPR).
- d) A two-envelope and two-stage approach as outlined below

#### 1.1.1 Two-stage approach (qualification and evaluation)

Only offers that comply with the requirements (with or without functionality) and designated sector local content criteria qualify for further evaluation. These criteria include minimum points for functionality (if applicable), minimum percentage for designated sectors (if applicable), and other special requirement criteria formulated by the criteria development panel. This stage shall be referred to as the "Qualification Stage" (see Figure 1).

Qualifying offers are then evaluated in accordance with the 80/20 or 90/10 preference points system prescribed in the Preferential Procurement Regulations, 2011. This stage shall be referred to as the "Evaluation Stage".

#### 1.1.2 Two-envelope and single-envelope approaches

The formulation of the value system, the weight allocation process and the process for the evaluation of offers prevent (as far as possible) any bias towards any specific contractor or undue pressure on any individual panel member.

**A two-envelope** process is to be followed where an offer is to be evaluated with functionality (i.e. when one or more functional criteria are included that are subject to discriminating analysis, based on the individual opinion of the evaluation panel members). That part of the offer documentation relating to the Qualification Stage criteria is contained in one envelope (referred to as the first envelope) while that part relating to the Evaluation Stage is contained in another envelope (referred to as the second envelope). The envelopes are submitted separately. The price contained in the second envelope is only divulged after the offers have passed the Qualification Stage. It

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<sup>1</sup> With functionality – using critical and/or only, scored Qualifying Criteria

<sup>2</sup> Without functionality – using only critical criteria

stands to reason then, that offers that do not pass the Qualification Stage will not be evaluated further.

A **single-envelope** approach shall be followed in cases where the offer is to be evaluated without functionality (i.e. only one or more deterministic functional criteria apply, i.e. where the functional criteria evaluation is objective, e.g. compliance with part number, specification, NSN, etc.

## **1.2 Need for an audit trail and accountability**

The legal and other consequences for Armscor if the source selection process is questioned can be dire.

Pay specific attention throughout the process to ensure a proper audit trail and accountability. This means that formalities such as recording the minutes of all meetings, obtaining written and signed authorisations, etc. are vital.

## **1.3 Quality in source selection**

Experience has shown that the quality of the decision-making process depends largely on the ability and balanced expertise of the selected team, and on the conformance of the criteria chosen to best decision analysis practice. Paying specific attention to these aspects will contribute significantly to achieving a satisfactory result.

## **1.4 Applicability**

Armscor's Contractual Source Selection Practice is applicable to the selection of contractors for all acquisition and procurement of Defence products and services by Armscor for the Department of Defence (DOD), other State Departments, and Armscor itself.

This Practice is also applicable to all business purchases that require competitive bids.

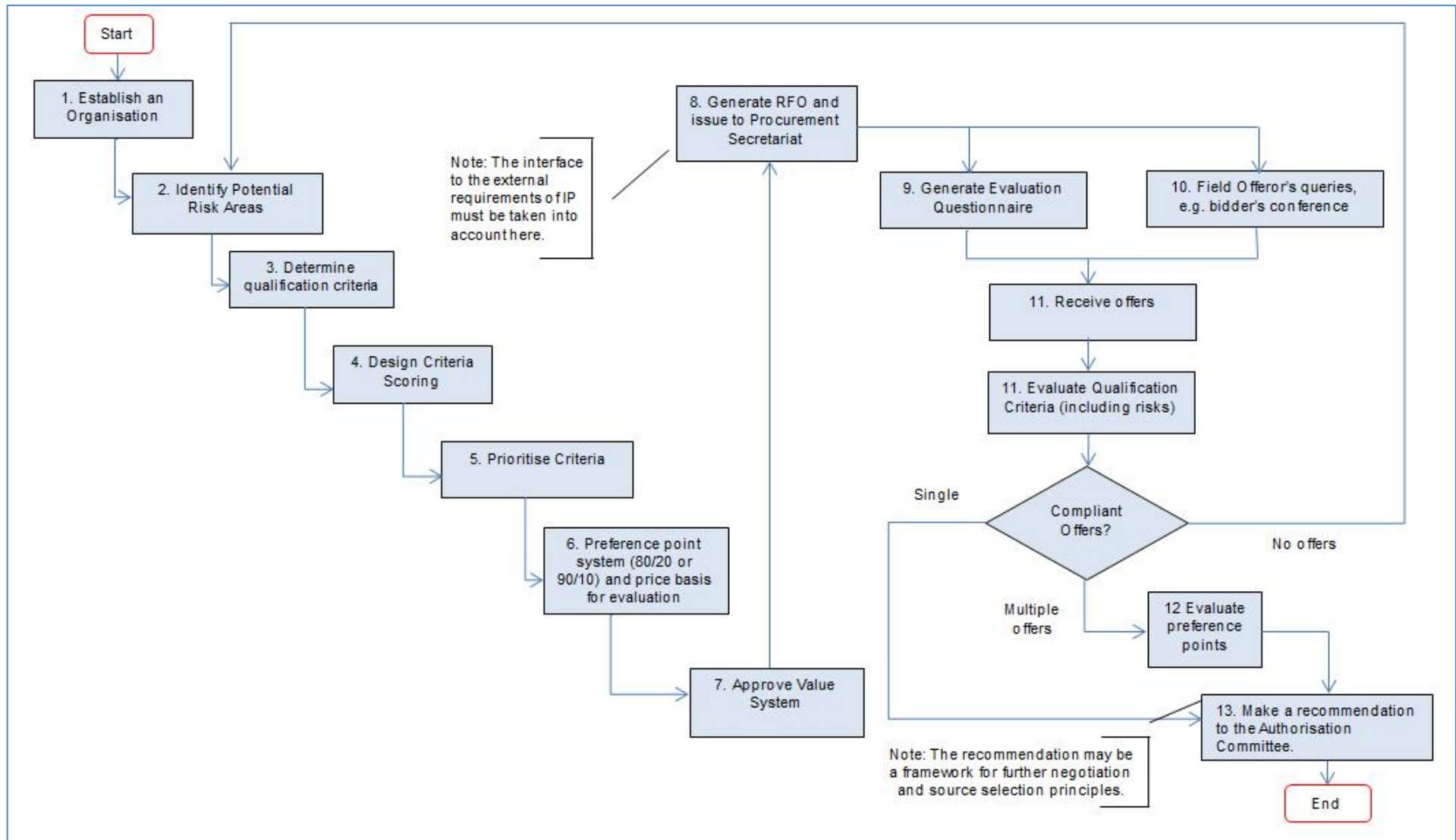
## **1.5 Tailoring**

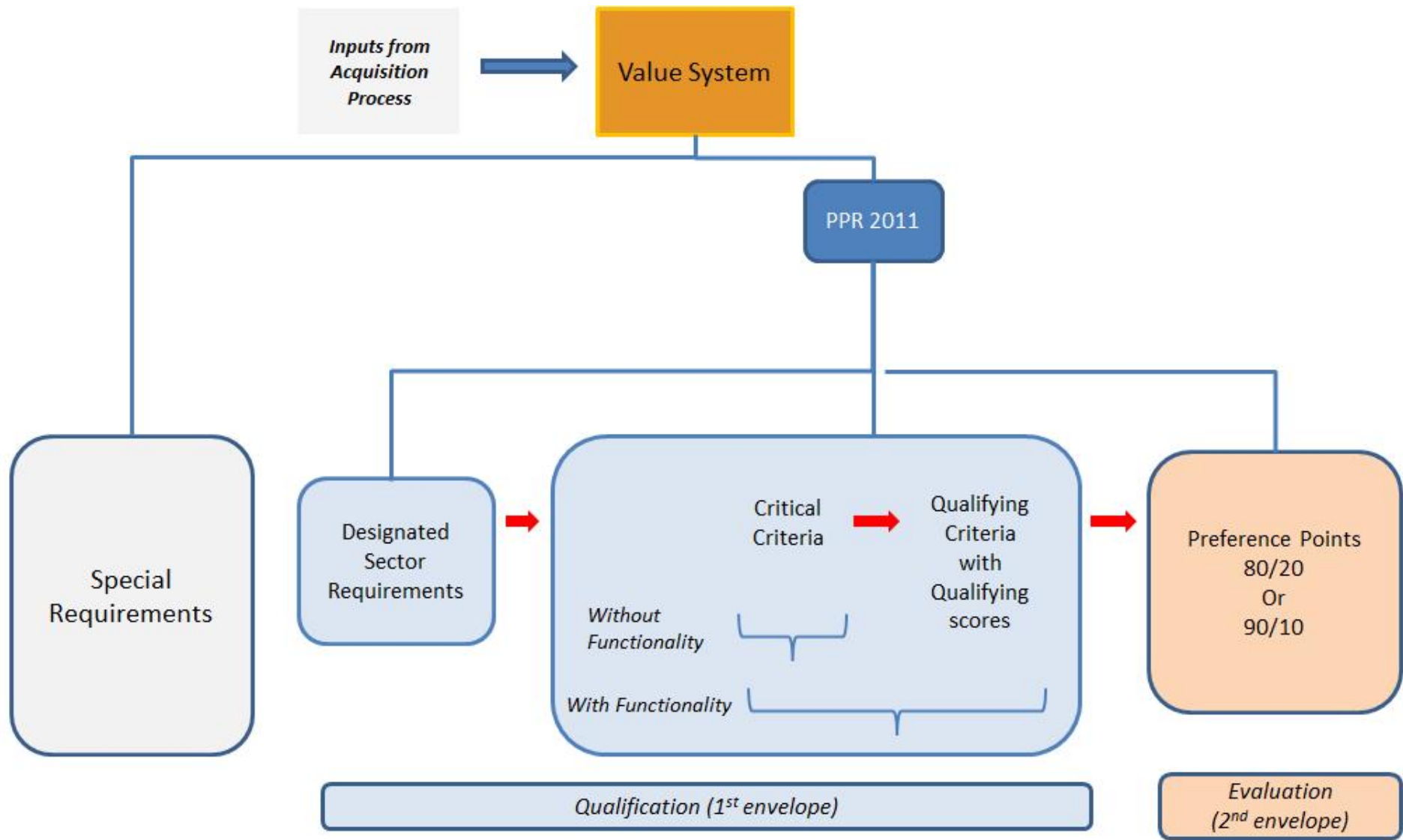
The processes and activities described in this Practice shall not be tailored, as tailoring will jeopardize the integrity of the source selection process.

The recorded information and organisation size shall be tailored to be commensurate with the complexity and importance of the source selection, and whether the offers are to be evaluated with or without functionality.



1.6 Process Flow





## 2 DOCUMENTATION

### 2.1 Applicable documents

The latest issues of the documents below are applicable.

A-POL-1000	Arm Scor Acquisition Policy
A-POL-9000	Arm Scor Policy, Security
A-CORP-001	Arm Scor Directive: Directives relating to decision-making powers
A-POL-6000	Defence Industrial Participation (DIP) Policy
A-PRAC-6030	Defence Industrial Participation (DIP) Practice
A-PRAC-4011	B-BBEE Practice

The Preferential Procurement Policy Framework Act No 5 of 2000

Preferential Procurement Regulations, 2011, Government Gazette No. 34350

Instruction Notes (various) on the Local Content Requirements, issued by the National Treasury  
Public Finance Management Act (PFMA) of 1999

### 2.2 Reference documents

Department of Defence, Defence Review Chapter on the Defence Industry: The Acquisition Management Process, Sixth Draft, 7 May 1997

JDP/ACQ/00002/2004 Process and Procedure for the Acquisition of Armaments – DAP 1000

A-STD-0010 Rules Applicable to Prospective Contractors

A-PROC-6031 Arm Scor Procedure: Defence Industrial Participation (DIP) procedures

SATS 1286:2011 Technical specifications Local goods, services and works – Measurement and verification of local content

A-PRAC-8030 Practice for Business Purchases against Armour's operating budget

06000-PROC-034 Procedure for purchases in R&D Department

The Implementation Guide to the Preferential Procurement Regulations, 2011, issued by the National Treasury.

## 3 DEFINITIONS/ABBREVIATIONS

### 3.1 Definitions

#### 3.1.1 Arm Scor project manager

The project manager is an individual designated to manage a project.

#### 3.1.2 Cost as an independent variable (CAIV)

The concept that, in assessing the merit of an item its cost is not an integral part of the value system that is used to assess the functionality of the item. Instead, its cost is weighed against the merit of the item after assessment. This concept is supported by the fact that in any contract negotiations, what one party brings to the table is weighed independently against what the other has to offer quid pro quo. Hence, points can be given to price independently.

#### 3.1.3 Cost and price

For the purposes of this document, the concept of price and cost mean the same and is the total estimated value of an order/contract in South African currency, calculated at the time of the invitation of offer and includes all applicable taxes and excise duties and discounts where these are offered unconditionally.

#### 3.1.4 Critical Criteria

The criteria that determine whether an offeror complies with certain crucial requirements to perform a task or not.

### 3.1.5 Comparative price

Comparative price means the price after the factors of a non-firm (not fixed) price and all unconditional discounts that can be utilized have been taken into consideration.

Note: The definition in terms of the Preferential Procurement Regulations, 2011 for non-firm price means not fixed price in Armscor terminology.)

### 3.1.6 Rand value

Rand value means the total estimated value of an order/contract in South African currency, calculated at the time of offer invitations and includes all applicable taxes and excise duties.

### 3.1.7 Designated sector

Designated sector means a sector, subsector or industry that has been designated by the Department of Trade and Industry in line with national development and industrial policies for local production, where only locally produced services, works or goods or locally manufactured goods meet the stipulated minimum threshold for local production and content.

### 3.1.8 Expected value

The preferred risk perspective used in decision-making as applied to source selection. References in this document may refer to 'expected functionality', 'expected performance', or the like. It is defined as the sum or integral of all possible values of a random variable or any given function of it, multiplied by the respective probabilities of the values of the variable.

### 3.1.9 FICMINT

An acronym to assist in remembering the desirable characteristics of selection criteria, namely:

- a) Familiarity
- b) Importance
- c) Completeness
- d) Measurability
- e) Independence
- f) Non Redundancy
- g) Traceability

### 3.1.10 With and Without Functionality

The PPR stipulates that offers are to be evaluated with or without functionality and the RFO is to be marked accordingly to bring this to the attention of suppliers.

#### 3.1.10.1 Without Functionality (critical criteria)

Where an offer is to be evaluated on compliance with descriptions of services or commodities which are easily- and well-defined and readily evaluated, and where the expected performance of competitive suppliers is similar such that price and statutory incentives e.g. BBBEE points are sufficient to provide best value-for-money, then the offer shall be marked that it will be evaluated without functionality, and only critical criteria shall be used.

#### 3.1.10.2 With Functionality (Critical and/or only, score Qualifying Criteria)

Where the *expected performance of suppliers to meet the requirements may differ* and discriminating analysis is necessary to ensure that suppliers meet a minimum expected score, then

the offer shall be marked that it will be evaluated **with functionality**, meaning that **additional scored criteria**, with qualifying scores (**i.e. Qualifying Criteria**) will be included in the evaluation.

Functionality means the measurement according to predetermined norms, as set out in the RFO documents, of a service or commodity that is designed to be practical and useful, working or operating, taking into account, among other factors, the quality, reliability, viability and durability of a service and the technical capacity and ability of an offeror.

Note: In terms of contractual requirements, functionality (performance) is a combination of technical functionality, programme management, system engineering, system integration, acquisition logistics, schedule and financial proficiency, and/or other criteria as may be relevant for the successful completion of the specific order, where:

- a) technical functionality relates to the ability to produce goods and services in accordance with specifications;
- a) programme management is the process of administering and coordinating those facets of the acquisition process that are aimed at establishing, delivering and operating a products system in accordance with a contract;
- b) system engineering is an interdisciplinary, collaborative approach that derives, evolves, and verifies a life cycle balanced system solution which satisfies customer expectations and meets public acceptability;
- c) acquisition logistics includes all the technical and management activities conducted to ensure that supportability implications are considered early and throughout the acquisition process in order to minimize support costs and to provide the user with the resources to sustain the system in the field;
- d) schedule proficiency relates to the ability to keep to deadlines, milestones or delivery dates;
- e) Financial proficiency relates to financial management expertise as it affects project cash flow, and should not be confused with the cost of an offer.

For the purposes of this document, functionality, proficiency and performance may be used interchangeably, and is the expected performance, i.e. it takes risk into account expressed as the probability of outcome.

### 3.1.11 Imported content

Imported content means the portion of the offer price represented by the cost of components, parts or materials which have been or are still to be imported (whether by the supplier or the supplier's subcontractors) and which costs are inclusive of the costs abroad, plus freight and other direct importation costs, such as landing costs, dock dues, import duty, sales duty or other similar tax or duty at the South African port of entry.

### 3.1.12 Local content

Local content means that portion of the offer price which is not included in the imported content, provided that local manufacture does take place.

### 3.1.13 Preference points system

The preference points system is a combination of points for price and B-BBEE depending on the rand value.

### 3.1.14 Qualifying Criteria

The weighted and scored criteria that are used in determining if an offer that is to be evaluated with functionality meets the requisite minimum qualifying score.

### 3.1.15 Qualifying score (for Qualifying Criteria)

A qualifying score is a minimum score for the set of Qualifying Criteria. (Qualifying Criteria should each have their own minimum score).

### 3.1.16 Risk

The uncertainty surrounding the outcome of the technical, financial, and schedule performance, as well as the uncertainty surrounding the ultimate cost to the customer. Usually described in terms of the probability of specified possible outcomes.

### 3.1.17 Request for offer (RFO)

RFO refers to the complete set of documents that is provided to offerors, which includes various forms required by Procurement Secretariat in addition to other documents containing the essence of the technical, programme, and other requirements.

### 3.1.18 RFO categories

An RFO will fall into one of the following categories:

#### 3.1.18.1 Single-source Procurement Selection

The law recognises single-source procurement in exceptional cases. The justification for single-source procurement must be evaluated in the context of the requirements of the Department of Defence as well as the overall interests of the State.

Single-source procurement may be appropriate only if no other alternative source is available. The following list of circumstances (which is not exhaustive) describes situations where a single-source selection process may be followed:

- a) For goods or services that represent a natural continuation of previous work carried out by a contractor, and continuity of downstream work is essential.
- b) Where only one contractor has special unique experience necessary to execute the work or where the goods or services are only available from one contractor
- c) Where a multi-source procurement process may have a detrimental influence on National Security and only one possible contractor can execute the task without compromising National security
- d) Any other exceptional circumstances where it is impractical to follow a multi-source procurement process

#### 3.1.18.1.1 Value system

Subject only to functionality (if applicable), mandatory special requirements and designated sector local content.

#### 3.1.18.1.2 Advertising of the Single-source Requirement

The general rule is that Armscor shall advertise all Requests for Offers. Only in exceptional instances will Armscor deviate from a competitive acquisition process and embark on single-source procurement.

In determining whether a requirement or supplier is regarded to be a single-source supplier, consideration shall include but not be limited to security-related concerns, strategic nature as well as sovereignty of the requirement.

In instances where a single-source procurement approach has to be followed, the Armscor Project Manager should submit a detailed report justifying deviation from the normal competitive process to the Armscor Management Board. Alternatively, the Armscor Project Manager shall submit a motivation to the relevant General Manager as well as the General Managers of Quality and Corporate Compliance.

### 3.1.18.2 Multi-source Procurement Selection

The offerings from industry in terms of the form, fit and/or function of the required product vary, and there may be options for consideration. The performance of Industry in providing associated services is uncertain. Discriminating analysis is required to ensure best value is obtained within available funds.

#### 3.1.18.2.1 Value system

Subject only to functionality (if applicable), mandatory special requirements and designated sector local content plus preference points system.

#### 3.1.19 Special requirements (SRs)

Special requirements are ***negotiated*** technical or project management stipulations that will become contractually binding on the successful offeror. These requirements are specific to an order and are over-and-above those prescribed in the KD documentation.

SRs are indicated where alternatives or deviations may be offered by the offeror.

- *e.g. reporting format and content, or*
- *delivery condition, etc.*

Note: SRs are distinct from criteria in that they do not contribute to the source selection decision. Therefore, if a technical, project, or contractual requirement is mandatory, it shall not be an SR but shall form part of the criteria (with a minimum qualifying score).

#### 3.1.20 Stipulated minimum threshold

Stipulated minimum threshold means that portion of local production and content as determined by the Department of Trade and Industry for designated sectors.

#### 3.1.21 Two-envelope tendering

A method of offer evaluation where the offerors provide the technical details of their offer in one envelope, and the price details in a second envelope. The technical merit is first evaluated without knowledge of the price details, which improves the objectivity of the evaluation.

#### 3.1.22 Value functions

A scale or rating or scoring system by which the value of a specific outcome is determined and through which the dependence of the value on relevant parameters is defined.

#### 3.1.23 Value system

A value tree consisting of one or more weighted criteria with associated structure (hierarchy), rules and processes, used as a framework in rationalizing the decision-making process. The relative preferences for the criteria are indicated, in the form of a numerical point sequence, relative weights and qualifying scores. The value system consists of the following four elements (in no specific order):

- a) Preference points system based on Price and B-BBEE
- b) Critical Criteria
- c) Qualifying Criteria
- d) Special requirements, and
- e) Designated sector requirements (if applicable)

#### 3.1.24 Value tree

A graphical representation showing the interrelationship of criteria in a value system.

### 3.2 Abbreviations

- |           |  |
|-----------|--|
| 1. APM    | Armscor Project Manager                |
| 2. B-BBEE | Broad-based Black Economic Empowerment |

3. BEE	Black Economic Empowerment
4. CAIV	Cost as an Independent Variable
5. DAPD	Departmental Acquisition and Procurement Division
6. DOD	Department of Defence
7. DIP	Defence Industrial Participation
8. DTI	Department of Trade and Industry
9. EME	Emerging Micro Enterprise
10. EW	Electronic Warfare
11. FSC	Facility Security Clearance
12. IP	Industrial Participation
13. IPR	Intellectual Property Rights
14. IRBA	Independent Regulatory Board for Auditors
15. LCC	Life Cycle Cost
16. NIP	National Industrial Participation
17. NPV	net present value
18. NSN	National Stock Number
19. OEM	Original Equipment Manufacturer
20. PA	Process Assuror
21. PFMA	Public Finance Management Act
22. PPPFA	Preferential Procurement Policy Framework Act
23. PPR	Preferential Procurement Regulations
24. QES	Quality Engineering Services
25. QSIS	Quality Systems Improvement and Standardisation
26. R&D	Research and Development
27. RFI	Request for Information
28. RFO	Request for Offer
29. SABS	South African Bureau of Standards
30. SANAS	South African National Accreditation System
31. SANDF	South African National Defence Force
32. SARB	South African Reserve Bank
33. SR	Special Requirement
34. SOW	Statement of Work

## 4 RESPONSIBILITIES

### 4.1 Process owner

The process owner of this document is the General Manager: Acquisition.

### 4.2 Communication

The management of Quality Systems Improvement and Standardisation (QSIS) Division is responsible for communicating this document to Armscor by means of the electronic mail system. The effective communication of this Practice to the wider defence industry as required will be effected through the normal project and business structures implied by the Practice.

### 4.3 Implementation

The divisional heads of the various divisions shall be accountable to their departmental General Manager for the effective implementation of this Practice in their respective divisions.



#### **4.4 Review and continuous improvement**

This Practice will be reviewed and updated at least every three years or when required, especially taking cognisance of the continuous improvements that are expected to take place in all acquisition work methodologies. For this purpose the General Manager: Acquisition will mandate a review committee.

#### **4.5 Data management**

The data generated through the execution of this Practice will be managed in accordance with the policies and practices of the department responsible for the specific project.

#### **4.6 Training**

Training of personnel to achieve proper alignment with this Practice will be the responsibility of the relevant departmental heads.

The complexity of this Practice coupled with the serious governance issues with which it deals makes it imperative that proper training be provided.

Since technical competence is a key requirement for participation on the panels, specific attention shall be given to developing the skills and expertise of employees.

## 5 PRACTICE

### 5.1 Activities to be performed

The main activities and their sequence are:

- a) Establish an evaluation team
- b) Develop a value system
- c) Issue the RFO
- d) Generate the evaluation questionnaire
- e) Perform the Qualification Stage using the 1st envelope (if applicable) (critical criteria, qualifying criteria, compliance with designated sectors and special requirements)
- f) Perform the Evaluation Stage using the 2nd envelope (if applicable) (price and B-BBEE scorecards)
- g) Prepare and submit the recommendation for approval

### 5.2 Organisation

This section lists the participants, in their particular roles, required to perform contractor source selection.

#### 5.2.1 Size of the organisation

The size of the organisation will generally relate to the complexity and sensitivity of the requirement, which is usually, but not necessarily, related to the preponderance of technical, financial or other factors

#### 5.2.2 Less complex offers

Less complex offers may be evaluated by an Armscor Project Manager with a grade commensurate with the complexity of the procurement.

A Process Assuror and the Senior Manager of the division shall provide the checks and balances.

#### 5.2.3 Complex offers and those which include functionality

Offers with functionality and requiring a more comprehensive organisation shall consist of at least the following:

- a) the divisional head of the relevant division
- b) the Armscor project manager
- c) process assuror
- d) technical evaluators
- e) financial evaluators (as required)
- f) BEE representative (as required)
- g) Decision Facilitator (if required)
- h) DIP representative (if applicable), and
- i) Legal Services representatives (when required).

The grade of the members shall be commensurate with the complexity of the procurement.

#### 5.2.4 General responsibilities

All members of the team involved with the contractor selection process shall sign a formal declaration covering the following aspects:

- a) Confidentiality and non-disclosure, to protect the commercial confidentiality interests of offeror's.
- b) That they have no vested interest in the outcome of the process.

- c) That they will not engage in discussions of future employment or business opportunities directly or indirectly related to any of the offers.
- d) Undertaking to provide inputs based on independent own judgement and best objective effort based on own knowledge and experience, without duress or instruction from any party.
- e) Acceptance of the process prescribed in this Practice and of the final results obtained from the prescribed rational decision-making process.
- f) Commitment to adhere to the process.
- g) An undertaking not to provide inputs on aspects where the content or impact of the element or criterion are, based on own judgement, insufficiently understood.
- h) An undertaking to attend all required scheduled meetings or arrange for a formally appointed delegate, whose inputs are considered to be final.

### 5.2.5 Divisional head

The divisional head of the division responsible for the project shall:

- a) Approve the selection of evaluation with or without functionality.
- b) Approve the team organisation, the value system, the RFO, and the recommendation/submission.
- c) Task each panel member in writing, clearly indicating their responsibilities, and obtain written acceptance from the members (refer to Departmental Templates for the latest revisions of the templates).

### 5.2.6 External approvals and support

The written approval or acceptance or support of the DAPD (as nodal point for the SANDF user/client) or his counterpart from within other users (e.g. Armscor internal acquisition, South African Police Service, Department of Correctional Services) may be required for the outputs of any activity in this Practice as determined from time to time.

### 5.2.7 Armscor project manager

After confirmation of a valid requirement the APM shall:

- a) Ensure the panel establish whether the evaluation shall be with or without functionality.
- b) Establish and motivate the team necessary to draw up the value system and the evaluation questionnaire, and to evaluate the offers.
- c) Estimate the expected value of the offer. If this is up to R1m (refer the Rand Value as defined in the Definitions, paragraph 3.1.6) then a preference point system of 80/20 shall be specified in the RFO. If the expected value of the offer is above R1m then a preference point system of 90/10 shall be specified. Ensure that all participants are properly briefed in terms of the aims of the source selection, the process and the process requirements.
- d) Protect the commercial confidentiality interests of offerors by adequate means, including control of all documentation, and ensuring that all persons associated with the contractor selection process sign undertakings of non-disclosure.
- e) Participate actively in the adjudication.
- f) Generate and consolidate the value system criteria, SRs, weights, and scoring and source selection risks, using panels where appropriate.
- g) Consolidate the final evaluation scores and apply the weights in order to obtain the scores (this task may be delegated to a third party).
- h) Ensure that the RFO correctly reflects the requirements.
- i) Lodge the Value System, together with the RFO, with Procurement Secretariat for issuing.
- j) Follow the prescripts of two-envelope tendering (if applicable).

- k) Keep full and proper records of all activities associated with the process, as described in this Practice. Records should include (but not be limited to):
- Minutes of all meetings
  - Declaration forms
  - Appointment of members and their acceptance of responsibilities
  - Approval of outputs, e.g. value system, RFO, etc.
  - Delegation of functions
  - Evaluation reports
  - Reports of the process assurers

### **5.2.8 Process assessor**

Process assurance is vital to ensure that the Practice is adhered to, and that discrepancies or shortcomings are highlighted in the final evaluation report. It is also necessary to foster individual and group ethics.

The process assurance role shall at all times remain independent of the evaluation process. No decisions relating to the evaluation of offers may be taken by the process assessor, but recommendations may be made to the relevant panels or line management. Concerns shall be brought to the attention of the APM and/or line management and reported in the process assurance report, if not resolved.

The role of providing process assurance services is delegated to the Quality Engineering Services (QES) Division.

Specific attention shall be given to, inter alia, the following:

- a) That the prescripts of this Practice are correctly interpreted and followed.
- b) That evaluation panels have been structured appropriately, taking into account a balance of stakeholders and competence.
- c) That appropriate decision-making processes are applied and that best practices are used in decision-making.
- d) That the panels ensure that the functional criteria satisfy the necessary characteristics (FICMINT).
- e) That for multi-source RFOs, a completed checklist is to be submitted to the relevant authorisation committee as an annexure to the submission.
- f) That a process assurance report is required for all RFOs above R3m, confirming compliance with the requirements.

### **5.2.9 Source selection panels (for offers being evaluated with functionality)**

#### **5.2.10 General Responsibilities**

##### **5.2.10.1.1 Competence**

Panel members shall be competent in terms of training and experience so that they understand the relevance of criteria to the successful completion of the contractor selection process and order/contract execution for the area where their inputs are required.

To this end the grade (or appointment in the case of DoD members) of panel members shall be commensurate with the complexity of the procurement.

##### **5.2.10.1.2 Size and quorum**

The size of the panel(s) described below will generally relate to the complexity and sensitivity of the requirement, which is usually, but not necessarily, related to the preponderance of technical, financial or other factors, e.g. industrial development.

Whilst a panel shall not consist of fewer than two persons, give particular consideration to the specialist requirements that may be necessary to perform the task adequately, as well as to ensuring a balanced opinion.

At the first meeting of a panel, the members shall decide what the quorum shall be.

#### **5.2.10.1.3 Chairpersons**

Meetings shall only be chaired by persons having a comprehensive understanding of the source selection process.

Chairpersons may also participate in the decisions of the panel chaired by them, but they shall not have any unique authority, such as a casting vote.

#### **5.2.10.2 Criteria and Weighting Panel**

The criteria and weighting panel shall reach consensus on the functional criteria (value tree) and on the scoring techniques (value functions) to be used, the minimum qualifying scores for functionality, local content and the Special Requirements (SRs).

The panel shall obtain consensus on the preference points system and the allocated RFO category (single/multi-source) to be used for the evaluation.

In order for the evaluation panel to perform its task, such as ascertaining the risks involved in the source selection decision, the panel shall as far as possible identify all the information that will be required from offerors.

The panel members shall only allocate weights to those criteria that lie within their area of expertise. The process of allocating the weights will, as far as possible prevent collusion or manipulation of the results.

#### **5.2.10.3 Evaluation Panel**

The evaluation panel shall evaluate the offeror's 1st envelope (when two-envelope process is followed) by completing the evaluation questionnaire. Panel members shall only evaluate those aspects of the offers that lie within their area of expertise.

The evaluation panel shall apply sufficient technical expertise to evaluate all specialist areas. Use independent specialists where required to assist the evaluators in formulating technical opinion.

Using all information provided to all the panel members, the evaluators shall acquaint themselves with the offerors sufficiently to be able to assess the offeror's ability to comply with the requirements of the RFO as stated in the offer and to ascertain the risks involved in the source selection decision.

#### **5.2.10.4 Financial evaluator**

Appoint a team member to perform an accurate analysis of the price offerings.

Seek further assistance from Armscor Finance Division on the financial evaluation on specific aspects if necessary, such as long-term capital budgeting, financing methods and similar complex issues.

#### **5.2.10.5 DIP evaluation**

In order to ensure that Armscor's DIP requirements are met, DIP Division shall nominate a representative to participate in the source selection process with the specific objective of determining whether DIP requirements have been taken into account in accordance with the Armscor DIP Practice and the RFO. Should any irregularities be observed, such irregularities should be brought to the attention of the responsible manager and the divisional head for rectification.

### 5.2.10.6 B-BBEE evaluation

In order to ensure that Armscor's B-BBEE requirements are met, BEE Division shall nominate a representative to participate in the source selection process with the specific objective of determining whether B-BBEE requirements have been taken into account in accordance with the Armscor B-BBEE practice, the Preferential Procurement Regulations, 2011 and the Implementation Guide and the RFO. Should any irregularities be observed, such irregularities should be brought to the attention of the applicable divisional head for rectification.

The BEE division shall provide the preference points to be used in the points-for-price calculation.

### 5.2.10.7 Technical Advisor

For complex programs with a number of qualifying criteria it is best practice to include a team member with mathematical and/or statistical skills to ensure that weights are allocated correctly and the scoring techniques used are appropriate for the criteria.

The need for, and specific role of this member shall be discussed with the process assessor and included in the organisational plan if required.

### 5.2.10.8 Other roles

Identify other functional evaluation roles and include them in the team, as required.

### 5.2.10.9 Contractors

Advisory personnel contracted to assist with the evaluation process shall not rate or rank offers, assign numerical scores or act in any decision-making capacity, nor shall they be associated with any offer in any manner.

### 5.2.10.10 Observers

Should observers, with the permission of the APM, attend sessions associated with source selection (for example for training purposes) they shall sign non-disclosure agreements.

## 5.3 EVALUATION CRITERIA

The compliance of offers is to be determined using evaluation criteria in a value system.

### 5.3.1 Risk Analysis

Perform a Risk Analysis on the requirements to determine key areas of concern that could affect the project technical, schedule and cost. These risk factors will help drive out important evaluation criteria.

### 5.3.2 Characteristics of evaluation criteria (FICMINT)

The evaluation criteria shall satisfy the following characteristics:

- a) **Familiarity:** Each of the criteria shall be unambiguously interpretable to the panel members in the sense that they shall be able to express their evaluation of each criterion similarly and clearly.
  - o *E.g. if an important criterion is the colour red, they shall each be equally clear as to what shade of red is required).*
- Importance:** Each of the criteria shall have a clear and meaningful objective of discerning certain specific relevant differences between offers.
  - o *The selected criteria shall represent the most significant aspects of the source selection decision in that it has the potential to affect the rank order of the offers: check each criterion by examining if its removal from the set would alter the best course of action.*

- *Do not clutter the value system with criteria that do not contribute to the decision at hand, namely source selection. e.g. “the car shall have a steering wheel”– that is clearly part of the specification but since cars are usually supplied with steering wheels then it will not contribute to source selection.*
  - *Fundamental requirements (e.g. range, speed, weight) and the risk analysis should drive out most of these important criteria. The value system should be a minimal set.*
  - *It is advisable to avoid a proliferation of criteria as the analysis complexity increases exponentially and there is increasing resistance to eliciting response from the evaluators.*
  - *Avoid excessive subdivision of factors to preclude an unnecessarily detailed assessment that obscures significant differences amongst offers.*
- b) Completeness: The set of evaluation criteria shall characterize all important source selection aspects to be considered. Everything that can influence the decision shall be included.
- *After the offer has been scored and the total weighted score calculated, there should be no need to apply intuition – all intuition should have been integrated in the set of evaluation criteria.*
  - *Having stated in (a) that trivial criteria should not be included, do not neglect factors that are very important risk factors – the risk analysis is vital*
- c) Measurability: Each of the criteria shall be capable of being evaluated for compliance and, in the case of qualifying criteria being scored on a value scale, either as a probability distribution, or, in the extreme case, as a point value. Criteria should preferably be objective (e.g. speed) so that they are easily scored, although some subjective criteria often cannot be avoided:
- *If the shade of red is the important criteria, exactly how is this to be measured and what proof is required to substantiate the shade, e.g. a SABS certified spectral analysis?*
  - *To supply this exact proof becomes a critical criterion.*
  - *Suppliers may have different metrics to measure the same or similar. Ask “what if the offerors supply other proof, or no proof?”*
  - *If a criterion is not readily measurable (e.g. financial stability) it should be decomposed, i.e. broken down into parts of smaller dimensionality that can be measured.*
- d) Independence: Changes in score for one criterion shall not affect the score for any other criteria.
- *Consider selecting a rocket for its range: one aspect could be the input weight; the other could be the output thrust. Weight might only be important because of its effect on thrust. They are not independent and one must be deleted.*
- e) Non-redundancy: No two criteria shall measure the same aspect, as that would result in double counting and problems in allocating weights.
- *It would be pointless to have a criterion such as red specified as RGB (255, 10, 12) as well as requesting a spectral colour of 425THz. Apart from double counting, these criteria might be ambiguous.*

- f) **Traceability:** All criteria and their relative importance shall flow from the user's requirement, RFO, Statement of Work (SOW) or specifications.
- *These requirements are not just operational requirements. In fact, for the purposes of source selection, the operational requirements have been stipulated clearly as compliance issues. Focus on other aspects as well, such as project requirements (timescales, cash flow) or commercial aspects (terms and conditions, IPR). These other criteria might well be the important ones.*
  - *Once all the criteria have been decided upon, check bi-directionally for traceability.*

### 5.3.3 Scoring Qualifying Criteria

In order to perform the evaluation, scoring techniques shall be applied to normalise each attribute so that they can be compared. Use scoring techniques that are easily understood and unambiguous, and which reflect the true values and risk preferences of the evaluation panel.

### 5.3.4 Qualifying score

A minimum qualifying score for the set of criteria in combination shall be established.

Offers not meeting the qualifying score are immediately eliminated from the qualification process.

The minimum qualifying score shall not be prescribed so low that it may jeopardise the quality of the service required, nor so high that it may be restrictive to the extent that it jeopardizes the fairness of the evaluation.

- *Qualifying scores should be set for individual qualifying criteria as well*
- *The use of a suitable model is recommended to validate the minimum qualifying score for criteria in combination.*

### 5.3.5 Prioritising functional criteria

Where the minimum qualifying score is not 100%, functional criteria shall be weighted, either by direct allocation where the number of criteria is small or by pair-wise comparison where consistency may be at risk.

## 5.4 GENERATING THE REQUEST FOR OFFER

In addition to generating the RFO in accordance with the prescribed reference documentation, legislation dictates that procurement shall be performed in a manner that is fair, equitable, transparent, competitive and cost effective. This places the onus on Armscor to ensure that potential contenders are not compromised.

### 5.4.1 General practice

#### 5.4.1.1 Offer submission periods

Avoid very short offer submission periods that may exclude valid candidates. Approval by the relevant departmental head is required for offer periods of seven days or less.

#### 5.4.1.2 Time for completion of value systems

Ensure that value systems are complete before offers are invited. The value system must be lodged with Procurement Secretariat together with the RFO before the RFO may be issued, and it may not be amended after the RFO has been issued.

#### 5.4.1.3 Demonstrating ethical and professional conduct when communicating with offerors

Armscor can easily be placed in a compromising situation if protocols are not strictly observed from the point of issue of the RFO until an order is awarded. The following minimum guidelines shall be observed:



- a) Avoid informal communication with the offerors.
- b) Perform any unavoidable communication on an equitable and formal manner with all offerors. This should preferably be done by way of a bidder's conference arranged in conjunction with Procurement Secretariat. The purpose of a bidders conference is to clear any questions, ambiguities, lack of information, interpretation, etc. which may arise from the RFO.
- c) Minute all such communication formally.
- d) Members of the evaluation panels may under no circumstances, during presentations or otherwise, state their views on the success prospects of any offeror.
- e) Respect and protect the commercial confidentiality of offerors. In this regard offerors are not at liberty to discuss or divulge to any other unauthorized party the contents of their presentations or responses.
- f) Answer only questions from the offerors relating to the clarification of questions raised by the panel performing the site visit.
- g) Point out that the team has no decision-making powers and has been appointed to extract information from any presentations and responses only.
- h) The above list is not necessarily exhaustive, and each situation has to be dealt with on its own merits and in its own context.

#### **5.4.2 RFO content**

To ensure that the RFO conforms to the evaluation requirements, explain the relevant issues in the RFO. Ensure that the RFO contains at least the following:

##### **5.4.2.1 With or without functionality**

The RFO shall clearly indicate if the evaluation shall be performed with or without functionality.

##### **5.4.2.2 Preference point system**

The preference point system of 80/20 or 90/10 shall be specified in the RFO.

Occasionally multiple orders will be placed based on a single requirement, e.g. a spare parts list will be awarded to more than one supplier. The preference point system shall be based on the estimated value of the total requirement.

A good and thorough estimation of item costs is essential before the RFO is issued, so that the correct preference points system is specified in the value system.

##### **5.4.2.3 Offer preparation instructions**

It shall be borne in mind that, in a multi-source situation, the RFO shall be written discerningly so that apples-for-apples comparisons can be made. In this section of the RFO give clear instructions to the offerors as to what to include in their offer. Provide guidance to offerors on limit of number of pages, numbers of copies, as well as details on required structure and content. The instructions are an important part of the RFO as this will guide the offeror in giving information in a standard format and with the required level of detail, thus making it easier to evaluate.

Point out to offerors that the onus is on them to produce an offer that is clear and concise. Make it clear to them that any vagueness or ambiguity in their offers will increase the uncertainty surrounding their offer and that they consequently risk not scoring as well as they should.

##### **5.4.2.4 Two-stage two-envelope approach**

Indicate clearly in the offer that the selection process proceeds in two stages, supported by two envelopes (when applicable).

If applicable, the RFO shall be written in a manner that the offeror's reply shall be contained in two envelopes (sections) so that Procurement Secretariat can distinguish between them and separate them (these may be "virtual" envelopes if the offer is submitted electronically).

#### 5.4.2.5 Evaluation criteria

- a) Specify the criteria that will be evaluated with their weights and Qualifying Scores where applicable.
- b) Indicate clearly in the RFO that if the offer does not satisfy any one of the qualifying scores (or a logical combination of the criteria as determined by the panel) it shall be rejected immediately.
- c) Specifications which provide for the criteria to be evaluated over a specified range (denoted by a minimum and a maximum) shall be indicated in the RFO together with their range and the specific scoring principles that apply.
- d) Specifications not indicating a range shall be regarded as minimum requirements and, unless otherwise indicated (as relative scoring), the associated scoring techniques shall not provide for criteria to be evaluated higher than this minimum requirement.
- e) Request the offerors to provide relevant, current and sufficient information (as identified by the panel) regarding risk areas.

#### 5.4.2.6 Local production and content

##### 5.4.2.6.1 Designated sectors

The APM shall determine if requirements for designated sectors are applicable to the RFO, and if applicable, the local content requirements as prescribed by **DTI** at that time shall be included in the RFO.

In the case of designated sectors, where in the award of offers local production and content is of critical importance, the RFO shall include a specific condition that only locally produced goods, services or works or locally manufactured goods with a stipulated minimum threshold for local production and content will be considered.

Offers in respect of services, works or goods that have been designated for local production and content by the Minister of Finance, shall contain a specific condition that only locally produced goods, services or works or locally manufactured goods with a stipulated minimum threshold for local production and content will be considered. A list of known industry sectors that have been designated for local content requirements is available on the Armscor Intranet, but it may be that the list is not up to date. It remains the APM's responsibility to ensure that local content requirements are specified if applicable, and in order to fulfil this requirement the APM shall consult the instruction notes for local content published by National Treasury on their website at [www.treasury.gov.za](http://www.treasury.gov.za). Follow the links to Divisions / Specialist Functions / Supply Chain Management.

APMs shall stipulate in RFOs that the exchange rate to be used for the calculation of local content shall be the exchange rate published by the SARB at 12:00 on the date that is one week (7 calendar days) prior to the tender/offer closing date.

Only the South African Bureau of Standards (SABS) approved technical specification number SATS 1286:2011 shall be used to calculate local content.

A Declaration Certificate for Local Content shall form part of the RFO documentation

##### 5.4.2.6.2 Non-designated sectors

Where there is no designated sector, yet the client requires local content to be a determining factor, the client shall obtain the necessary approvals from the dti's Chief Director: Industrial Procurement.

**5.4.2.6.3 Special requirements**

Stipulate any Special Requirements.

**5.4.2.6.4 Statement of compliance**

The use of a "Statement of Compliance" shall be limited to functional criteria with qualifying scores.

**5.4.2.6.5 Industrial security**

Indicate the security classification of the RFO. RFO's shall not be issued to potential contractors/suppliers if their facility security clearance (FSC) status is lower than the security classification of the RFO.

In cases where security is a critical element it can be included as a functional criterion in the selection process.

**5.5 GENERATING THE EVALUATION QUESTIONNAIRE**

The APM shall draw up the evaluation questionnaire (this is usually done in parallel with the generation of the RFO). Ensure that this document is ready before the offer closing date.

Include the following in the evaluation questionnaire:

**5.5.1 Team organisation**

Include an overview of the organisational aspects of the evaluation, specifying panel members and their roles, and a schedule of events, e.g. meetings, timescales for reports and evaluations.

**5.5.2 Adjudication instructions**

Give clear instructions to the evaluators as to how to complete the adjudication sheets. Include the description of the scoring methods, how to interpret questions or statements, and the type of comments expected from the evaluator.

**5.5.3 Undertaking by the evaluators**

Protect the commercial confidentiality interests of offerors by adequate means, including the control of all documentation and ensuring that all persons associated with the contactor selection process sign undertakings of non-disclosure.

**5.5.4 Criteria**

Indicate the critical criteria, and the qualifying criteria with their weights, scoring methods and qualifying scores

**5.5.5 Risks**

Indicate the risks identified as potentially impacting on the evaluation in the evaluation questionnaire.

**5.5.6 Special requirements**

Indicate all special requirements.

**5.5.7 Designated sector requirements**

Indicate designated sector requirements.

**5.5.8 Adjudication sheets**

Provide adjudication sheets for the completion and signature by the panel members, for the functional criteria, risks and SRs, and local content.

**5.6 EVALUATION OF OFFEROR' S FUNCTIONALITY (1ST ENVELOPE)**

The 2nd envelope (if applicable) shall not be opened until this evaluation (1st envelope) is complete.

### 5.6.1 General procedures

Use sound statistical methods to interpret the data.

Whilst it is usually necessary to discuss functional issues jointly to obtain clarity, all panel members shall provide written individual and confidential input to the final evaluation result.

### 5.6.2 Local content assessment for designated sectors (if applicable)

Compliance of the offers with the local content requirements shall be assessed as follows:

The declaration certificate for local content shall have been completed and signed. APMs are required to verify the accuracy of the rate(s) of exchange quoted by the offeror in this certificate.

The amendment of the stipulated minimum threshold for local production and content after the closure of offers is not allowed as this may jeopardise the fairness of the process.

#### 5.6.2.1 Disqualification

An offer shall be disqualified if:

- a) The offeror fails to achieve the stipulated minimum threshold for local production and content, and
- b) The Declaration Certificate for Local Content is not submitted as part of the offer documentation.
- c) If the raw material or input to be used for a specific item is not available locally, offerors should obtain written authorisation from the dti should there be a need to import such raw material or input; and a copy of the authorisation letter must be submitted together with the offer document at the closing date and time of the offer.

Only offers that meet the above criteria (if local content is applicable) may be evaluated further on functionality.

### 5.6.3 Risk

There is always uncertainty surrounding any predicted outcome. This risk element is usually represented by a statistical probability and a consequence concerning the assessment of outcome. Handle this in accordance with accepted decision analysis techniques.

### 5.6.4 Normative versus criterion referenced evaluation

Evaluate the offers against the RFO as a baseline (criterion referenced evaluations), and not with respect to each other (normative evaluations).

### 5.6.5 Filtering offers

Assess the compliance of offers against the critical criteria. Eliminate offers that clearly do not comply. It is not necessary to evaluate them further.

If there is any doubt as to whether an offeror complies or not, give the offeror the benefit of the doubt. Any benefit of doubt that was allocated shall be made visible to the relevant authorisation committee.

### 5.6.6 One offer is received that qualifies

Should only one offer be received that qualifies (after the formal evaluation process has been conducted), then, with approval in accordance with the commitment value as specified in A-CORP-001, the APM may proceed with negotiations with the supplier to establish an order.

### 5.6.7 Considerations concerning risk assessment

The evaluators shall consider all factors that affect the uncertainty in the outcome of the technical, financial and schedule performance of the offeror. These include, but are not limited to:

#### 5.6.7.1 Management

- a) Key management personnel: Experience, academic qualification, management expertise, current commitments and availability.
- b) Organisational structure: Board members, equity structure (who owns whom), accountability for this project at divisional management level, project organization and manpower planning.
- c) Risk management: E.g. risk abatement strategies of the company for this project, and the company risk attitude. Attitudes and strategies, perceptions and preferences towards defence.
- d) Financial management: Current financial stability, cash-flow considerations, project funding and capital outlay.
- e) Project management and subcontractor management capability.

#### 5.6.7.2 Track record

- a) Current order: Nature of and performance on current orders.
- b) Previous orders: Nature of and performance on previous orders.
- c) Customer satisfaction: Feedback regarding customer satisfaction, both on current and previous orders.
- d) DIP/NIP performance in terms of previous and current orders.

#### 5.6.7.3 Resources

- a) Infrastructure and facilities: Access to specialized equipment, processes and infrastructure.
- b) Special expertise: The level of manpower skills in-house and the ability to outsource other specialized expertise. Access to international expertise.
- c) Strategic technologies: Access to key technologies.
- d) Current or potential commitments: Affecting the availability and adequacy of all the necessary resources.

#### 5.6.7.4 Quality

- a) Quality system: The quality system shall be certified as appropriate and required for Armscor registration.
- b) Quality performance: The latest quality performance of the organisation with respect to the quality of their products and/or services.
- c) Quality audits: The results of the latest quality audits performed by Armscor Quality Department or other certified auditors.

#### 5.6.7.5 Technical

- a) Approach: The soundness of the technical approach on the basis of its feasibility.
- b) Reasonableness: The reasonableness of the level of resources in terms of quantity and skills mix, material used, as well as subcontractors and other indirect inputs.

#### 5.6.7.6 Other considerations

Other considerations could include for instance:

- a) Foreign content: foreign legislation, permits, exchange rate exposure.
- b) Geographic location: may have an impact on schedule and cost.
- c) Legal/Labour issues: laws and disputes, union action.
- d) Industrial development: the selection of certain contractors may place long-run strategies at risk by the creation of monopolies, fragmentation of industry, duplication of resources, etc.
- e) Impact on strategic technologies: the selection of certain contractors may place long-run strategies at risk by creating, duplicating or eliminating important technologies.
- f) Assumptions and interdependencies: any assumptions that the offeror has made, specifically concerning interdependency on other companies or the customer.

These general issues will influence the technical, financial and schedule requirements.

Request that the required information relating to each of these risk considerations in the RFO is included as part of the offer.

### **5.6.8 Evaluating Qualifying criteria (points for functionality taking risk into account)**

The points for functionality are primarily used to establish whether the offeror meets the qualifying scores for each criterion, or for the set of qualifying criteria in combination. The total score will also be used as a tie-breaker in the event that offers have identical price and B-BBEE points. The panel members shall evaluate the offers against the functional criteria using the scoring techniques as determined. The evaluation shall take into account the risk assessment in accordance with accepted decision analysis techniques. In terms of current best practice, risk shall not be separately quantitatively assessed as an independent figure of merit but integrated into the functionality assessment. The offerors shall be evaluated in terms of both their stated compliance with requirements as well as their potential to meet the compliance as stated.

## **5.7 EVALUATION OF OFFEROR' S PRICE (2ND ENVELOPE)**

### **5.7.1 Preference points system check**

#### **5.7.2 Marginal R1m threshold**

When offers have been received that are marginally on the R1m threshold, the APM through the Divisional Manager shall first assess whether the correct preference points system, i.e. 80/20 or 90/10, was specified, as follows (refer the Rand Value as defined in the Definitions, paragraph 3.1.6):

- a) In the application of the 80/20 preference point system, if all offers received exceed R1 000 000, the tender shall be cancelled. If one or more of the acceptable offer(s) received are within the R1 000 000 threshold, all offers received shall be evaluated on the 80/20 preference point system.
- b) In the application of the 90/10 preference point system, if all offers received are equal to or below R1 000 000, the tender shall be cancelled. If one or more of the acceptable offer(s) received are above the R1 000 000 threshold, all offers received shall be evaluated on the 90/10 preference point system.
- c) If a tender was cancelled in terms of this paragraph, the correct preference point system shall be stipulated in the offer documents of the re-invited offer.

### **5.7.3 Costing Model**

Financial evaluators shall examine the responses and develop a costing model that:

- a) Accommodates all cost elements and their related terms and conditions.
- b) Excludes any costs which will not be contracted for (e.g. life-cycle costs).
- c) Is valid for the period over which the offer is to be adjudicated.
- d) Is valid for all offerors, e.g. where cash flow extends over multiple years, the net present value (NPV) of all offers shall be brought to the same base which shall be prescribed by Armscor Finance Division.
- e) Is based on Rand Value as defined in this Practice.

All assumptions shall be noted and motivated.

#### 5.7.4 RFO

The RFO shall be written in such a way that cost information is obtained on a basis that makes apples-for-apples comparisons easy.

#### 5.7.5 Relevant costs

Offerors will always attempt to create some form of perceived price discrimination. It is therefore imperative that the financial evaluator determines the relevant costs associated with an element, as well as the risks surrounding the cost. The evaluation should focus, inter alia, on the following factors that determine costs and cost deviations:

- a) Direct fixed costs (usually as quoted)
- b) Ceiling costs for indeterminate or ad hoc work
- c) Costs associated with options
- d) Indirect costs associated with customer furnished items or work
- e) Cost-plus items
- f) Hidden or ignored costs often associated with long-run costs, life-cycle costs or attempted buy-ins
- g) Duplication, not only between elements, but also between overhead costs/tariffs and direct costs
- h) Escalation, price increases, foreign exchange
- i) Costs associated with advance payments, deposits, etc.
- j) Costs, hidden or otherwise associated with doing business with foreign countries, e.g. travel, project office costs, translation, etc.
- k)

#### 5.7.6 Uncertainty relating to cost

In the event that there are costs that cannot be determined accurately, the cost to be used for comparison purposes may be established by an assessment of the cost (usually a minimum) that has no uncertainty surrounding it, plus a cost at risk. This cost can then be assessed in terms of, inter alia:

- a) Affordability.
- b) Accuracy/fixed/firm/rigidity (i.e. under/over-estimate, excess 'fat').
- c) Acceptability of tariffs and mark-ups in terms of Armscor norms. This includes the quantity and quality of the proposed resources, as well as the skills mix, subcontract costs and other indirect input.
- d) Reasonableness. The test for reasonableness ensures that the client does not pay more than what is fair, considering system effectiveness and suitability, as well as efficiency in the conduct of the design and manufacturing phases.

- e) Realism. The test for realism ensures that risk is taken into account to preclude a buy-in that promises low cost, but cannot be substantiated as being credible by either the level of the proposed effort, or the efficiency with which the work is to be carried out.
- f) Impact of external events, e.g. political, macro-economic.
- g) Negotiation boundaries.
- h) Long-term impact with respect to operational support requirements and associated cost.
- i)

### 5.7.7 Determination of final score

Only offers that achieve the minimum qualifying score for functionality and the minimum percentage for designated sectors shall be evaluated further in accordance with the 80/20 or 90/10 preference points systems prescribed below.

### 5.7.8 Preference points systems: points for price

The **80/20** preference points system is applicable to offers with a Rand value of up to R1 million (all applicable taxes, excise duties and unconditional discounts included).

The following formula shall be used to calculate points for price:

$$P_s = 80 \left( 1 - \frac{P_t - P_{min}}{P_{min}} \right)$$

where

$P_s$	=	points scored for comparative price of offer under consideration
$P_t$	=	comparative price of offer under consideration, and
$P_{min}$	=	comparative price of lowest acceptable offer

The 90/10 preference points system is applicable to offers with a Rand value above R1 million (all applicable taxes, excise duties and unconditional discounts included).

The following formula shall be used to calculate points for price:

$$P_s = 90 \left( 1 - \frac{P_t - P_{min}}{P_{min}} \right)$$

where

$P_s$	=	points scored for comparative price of offer under consideration
$P_t$	=	comparative price of offer under consideration, and
$P_{min}$	=	comparative price of lowest acceptable offer

### 5.7.9 Preference points systems: points for B-BBEE rating

The BEE division shall provide the points to be used in determining the scores.



### **5.7.10 Consolidating scores and order awards**

The points scored for price shall be added to the points scored for the B-BBEE rating to obtain the offeror's total points scored out of 100.

The order is awarded to the offeror who scored the highest total number of points in terms of the preference points system.

### **5.7.11 Evaluation of offers that score equal points**

In the event that two or more offers have scored equal total points, the successful offer shall be the one that scored the highest points for B-BBEE.

If two or more offers have equal points, including equal preference points for B-BBEE, the successful offer shall be the one scoring the highest score for functionality, if functionality is part of the evaluation process.

In the event that two or more offers are equal in all respects, the award shall be decided by drawing lots.

### **5.7.12 Exclusion of paragraph 7 (1) of Preferential Procurement Regulations, 2001**

The provisions of paragraph 7 (1) of the Preferential Procurement Regulations, 2001 (permitting the award of an order not scoring the highest number of points) shall not apply.

### **5.7.13 Cancellation and Re-Invitation of Offers**

Where an RFO is required to be cancelled, approval for such cancellation shall been obtained from the relevant authorisation level as provided for in the Directives Relating for Decision Making Powers, A-CORP- 001.

An RFO may be cancelled under the following circumstances:

- a) Due to changed circumstances, there is no longer a need for the services, works or goods requested; or
- b) Funds are no longer available to cover the total envisaged expenditure; or
- c) No acceptable tenders are received. During the evaluation process of an offer, a tender will not be acceptable in the event that no offeror complied with the critical criteria as required in the RFO, or in the event that the price of the only offer or all of the offers that complied with the critical criteria cannot be motivated as reasonable.
- d) If offers do not comply with any other Armscor requirement.

#### **5.7.13.1.1 Process assurer's report**

A process assurer's report must be compiled in all instances where the offer value exceeds R3m to ensure that the process followed during the contractor source selection is equitable and involves a comprehensive evaluation of each offer received. The process assurer's report must be compiled as indicated above and must indicate the specific reasons for possible cancellation.

#### **5.7.13.1.2 Price cannot be motivated for single or multiple offerors**

Where the price of the only offeror or all of the offers that complied with the critical criteria cannot be motivated as reasonable, a submission must be prepared and be submitted to the relevant

authorisation level as provided for in the Directives Relating to Decision Making Powers, A-CORP-001, for negotiations and possible cancellation of the RFO<sup>3</sup>.

In the event that there is only one offer that complies with the required critical criteria, a recommendation must be made to the relevant authorisation level to consider possible negotiation of the price of such offeror, or to cancel the RFO and to start a new process of soliciting acceptable proposals.

#### **5.7.13.1.3 Publish notification of cancellation**

The decision to cancel a tender in terms of the circumstances described above must be published in the media in which the original tender invitation was advertised.

#### **5.7.13.2 Re-evaluation of offers**

If problems are experienced with validating the results of the criteria and the weighting panel or the evaluation panel, such that a conclusive result cannot be achieved, the relevant panel shall be reconvened or the qualification process shall be restarted after appointing new panel members.

### **5.8 Submission**

The submission should be in the format as prescribed by the relevant department. For multi-source tenders the submission shall include a process assurance report.

Address the following in the process assurance report:

- a) Scope
- b) Background
- c) Team organization
- d) Value system and scores
- e) Qualifying criteria assessment (points for functionality)
- f) Qualification results
- g) Summary of results

The process assessor(s) shall comment on all aspects of the conformance of the evaluation to this approved Practice, ensure that the recommendations are traceable to the relevant calculations, and highlight any discrepancies, shortcomings or irregularities.

Keep the assessment detail (calculations, evaluator's questionnaires, etc.) on file for future audit purposes in accordance with Armscor policies and procedures.

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<sup>3</sup> A-CORP- 001 is to be amended to provide for the decision making power to be vested in the "Acquisition Authorisation Committee" of the appropriate authorisation level.