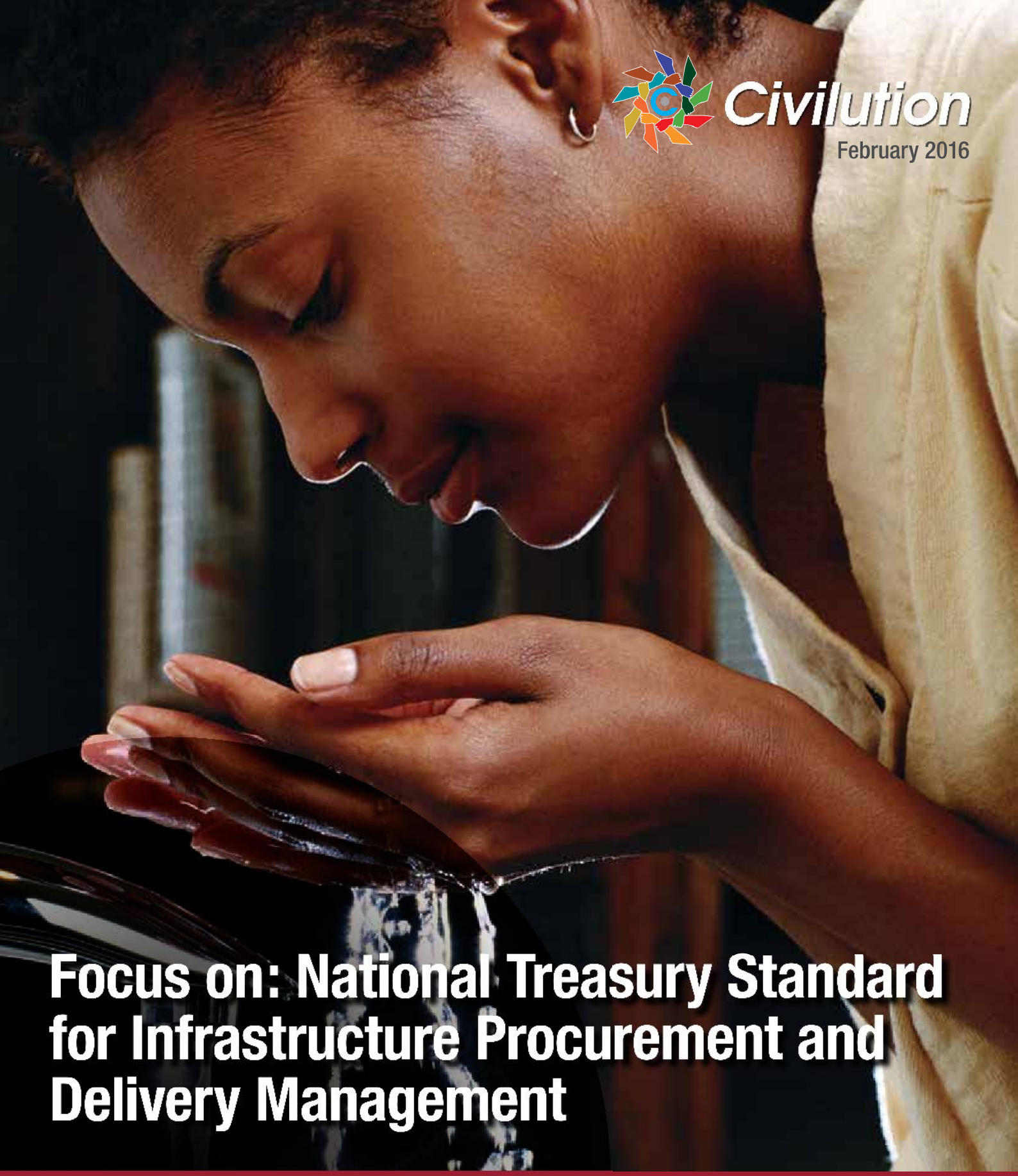

Civilution

February 2016

Focus on: National Treasury Standard for Infrastructure Procurement and Delivery Management

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Procurement documents for infrastructure projects

The *Standard for Infrastructure Procurement and Delivery Management* (SIPDM) defines procurement documents as "documentation used to initiate or conclude (or both) a contract or the issuing of an order". Procurement documents need to:

- present requirements in a clear, unambiguous, comprehensive and understandable manner;
- require tenderers to submit particulars sufficient for the employer to evaluate their tenders;
- set out the criteria by which tenders are to be evaluated;
- define the risks, liabilities and obligations of the parties to the contract and the procedures for the administration of the contract;
- define the nature, quality and quantity of goods, services or works to be provided in the performance of the contract; and
- establish the means by which the contractor is paid for performing the contract.

Procurement documents as such capture the procurement strategy and tactics that are decided upon. They are in effect a tool for identifying a suitable contractor during the tender process and managing risks during the execution of a contract. The SIPDM establishes a number of requirements for procurement documents. It is important to have a working knowledge of these requirements, as procurement documents form the backbone of the infrastructure procurement system.

INTRODUCTION

Procurement documents are required primarily to solicit tender offers and thereafter to form the basis for a contract. Procurement documents as such:

- establish the process of admitting a respondent to an electronic database, or the process of short-listing or pre-qualifying respondents to be invited to submit a tender offer;
- establish the manner in which the process of offer and acceptance is to be conducted;
- solicit information to enable the employer to evaluate submissions and appoint a suitable contractor;
- enable potential contractors to communicate their credentials and make an offer to an employer;
- capture the allocation of risks, liabilities and obligations of the parties, the procedures for the administration of the contract and the manner in which disputes may be resolved; and
- provide the basis for paying the contractor and specifying any measurable, tangible, verifiable outcome, result or item that is to be produced or completed (deliverable), and the constraints in doing so.

Procurement documents enable procurement strategy and tactics to be implemented. Figure 1 illustrates the concept of offer and acceptance that results in a contract being entered into. Procurement documents provide tenderers with the necessary inputs to allow them to compile their tender submissions. Their tender submissions are in turn inputs into the contract that may be concluded following the acceptance of their tender offer.

The National Treasury SIPDM requires that procurement documents be

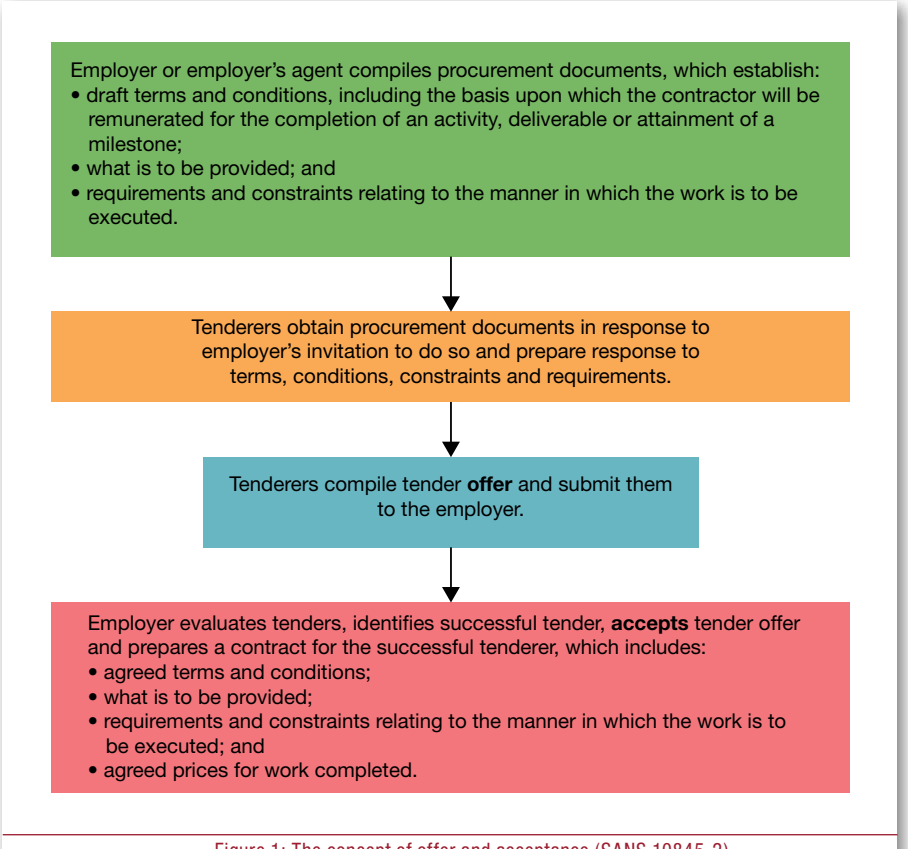

Figure 1: The concept of offer and acceptance (SANS 10845-2)

prepared in accordance with the relevant provisions of SANS 10845-2. SANS 10845-2 provides a standard format for the compilation and formatting of procurement documents, based on the logical flow of documents in the process of offer and acceptance, as indicated in Figure 1.

FORMATTING AND COMPILING PROCUREMENT DOCUMENTS IN A STANDARD MANNER

SANS 10845-2 provides a common framework within which procurement documents may be developed for:

- **expressions of interest**, i.e. requests for respondents to register their interest in undertaking a specific contract or to participate in a project or programme and to submit their credentials so they may, in terms of the employer's procurement procedures, be invited to submit a tender offer should they qualify or be selected to do so;
- **tenders**, i.e. written offers for the provision of goods, or to carry out a service or engineering and construction works under given conditions, usually at a stated price, and which are capable of acceptance and conversion into binding contracts; and
- **contracts**, i.e. legally enforceable agreements to supply goods, execute work or provide services.

SANS 10845-2 requires that the headings and structure of component documents contained in Tables 1, 2 and 3 be used for expressions of interest, tenders and contracts. The headings are not to be changed to suit personal preferences, e.g. scope of work being changed to "terms of reference" or "specification". Likewise the documents are not to be renumbered. To do so defeats the objective of having a uniform set of headings.

The uniform format for the compilation of procurement documents is based on the principle that there is a complete separation in the component documents that make up a procurement document, i.e. the conditions of tender, the conditions of contract, the specifications and methods of measurement and payment. The separation of component documents in this manner ensures that:

- each subject within a tender and within the subsequent contract can only be addressed once and in only one component document;
- issues relating to the tender fall away once the contract is in place;
- changes in conditions of contract do not affect other aspects of the contract, such as specifications, measurement and payment; and
- changes in measurement and payment systems do not affect other aspects of the contract, such as the conditions of contract and specifications.

Guidance and commentary on each of the component documents may be found in SANS 10845-2. The structure and format for procurement documents provided in SANS 10845-2 facilitates the use of standard component documents which can be changed without impacting significantly upon the remaining component documents, e.g. a change in a standard form of contract.

Calls for expressions of interest are used to establish electronic databases required to support the use of the nominated procedure, or to prequalify respondents in the qualified procedure or the restricted competitive negotiations procedure provided in SANS 10845-1. Tenders are thereafter invited from prequalified respondents, using the tender document (Table 2) which includes a draft contract (Table 3).

The tender documents outlined in Table 2, together with a draft contract (Table 3), are used in all the competitive selection and competitive negotiation procurement procedures provided in SANS 10845-1, as well as the solicitation of tenders from a confined market. In the negotiation procedure, only the draft contract (Table 3) is issued to a sole tenderer to conclude a contract.

The proforma form of offer and acceptance (document C1.1 in Table 3) provided in SANS 10845-2 is used to conclude a contract. This form comprises three parts – firstly an offer to provide the goods, services or engineering and construction works for a price, or in accordance with the terms of the financial proposal made; secondly, confirmation from the employer of acceptance of the offer following the evaluation of tenders and that a contract therefore exists; and thirdly a schedule of deviations which records any agreed changes to the documentation that occur between receipt of the tender offer and award of contract. Where there are small variances between the draft contract and the accepted offer, the changes permitted in terms of the conditions of tender, e.g. addenda issues to tenderers or acceptable amendments and qualifications, are detailed in the schedule of deviations. Where these variations are substantial, the draft contract is refreshed to form the final contract, and the schedule of deviations provides the high-level record of changes that have been affected between the draft and the final contract.

STANDARD COMPONENT DOCUMENTS

The SIPDM requires that, where applicable, procurement documents reference SANS 10845-4 (standard conditions for the calling for expressions of interest), SANS 10845-3 (standard conditions of tender) and a standard form of contract selected from a list of standard forms of contract (see Table 4).

SANS 10845-4 sets out standard conditions for the calling for expressions of interest which bind the employer and respondent to behave in a particular manner, establish what is required for a respondent to submit a compliant submission, make known to respondents the evaluation criteria, and establish the manner in which the employer conducts the process of calling for expressions of interest. The submission data in an SIPDM compliant document references SANS 10845-4 and provides the data necessary to make the SANS 10845-4 applicable to a particular procurement process (see Annexes A and B of SANS 10845-4 for commentary and guidance on the setting up of submission data).

SANS 10845-3 sets out standard conditions of tender which bind the employer and tenderer to behave in a particular manner, establish what a tenderer is required to do in order to submit a compliant tender, make known the evaluation criteria to tenderers, establish the manner in which the employer conducts the process of offer and acceptance, and provides the necessary feedback to tenderers on the outcomes of the process. The tender data in an SIPDM compliant document references SANS 10845-3 and provides the data necessary to make the SANS 10845-3 applicable to a particular procurement process (see Annexes A and B of SANS 10845-3 for commentary and guidance on the setting up of tender data).

SANS 10845-4 and SANS 10845-3 enable expressions of interest and tender offers received in terms of a competitive selection procedure to be evaluated in a standard manner, as indicated in Table 5.

Table 1: Documents that relate to a call for expressions of interest		
Contents		Function and broad outline of contents
Number	Heading	
E1: Submission procedures		
E1.1	Notice and invitation to submit an expression of interest	Alerts respondents to submit their credentials in order to be admitted to an electronic database or to be invited to submit tenders should they satisfy the stated criteria.
E1.2	Submission data	Establishes the rules from the time a call for an expression of interest is advertised to the time that any submission is evaluated.
E2: Returnable documents		
E2.1	List of returnable documents	Ensures that everything the employer requires a respondent to include in his submission is included in, or returned with, such a submission.
E2.2	Submission schedules	Contains documents that the respondent is required to complete for the purpose of evaluating submissions.
E3: Indicative scope of work (where appropriate)		
E3	Indicative scope of work	Indicates to respondents what the contract is likely to entail so that they can make an informed decision as to whether or not they wish to respond and, if so, to structure their submission around the likely demands of the project.

Table 2: Documents that relate to the tender		
Contents		Function and broad outline of contents
Number	Heading	
T1: Tendering procedures		
T1.1	Tender notice and invitation to tender	Alerts tenderers to the nature of the goods, services and engineering and construction works required by the employer and should contain sufficient information to enable them to respond appropriately.
T1.2	Tender data	Establishes the rules from the time that tenders are invited to the time that a tender is awarded.
T2: Returnable documents		
T2.1	List of returnable documents	Ensures that everything the employer requires a tenderer to submit with his tender is included in, or returned with, his tender submission.
T2.2	Returnable schedules	Contains documents that the tenderer is required to complete for the purpose of evaluating tenders and other schedules which upon acceptance become part of the subsequent contract.

Table 3: Documents that relate to the contract		
Contents		Broad outline of contents
Number	Heading	
C1: Agreements and contract data		
C1.1	Form of offer and acceptance	Formalises the legal process of offer and acceptance.
C1.2	Contract data	Identifies the applicable conditions of contract and associated contract-specific data that collectively describe the risks, liabilities and obligations of the contracting parties and the procedures for the administration of the contract.
C2: Pricing data		
C2.1	Pricing assumptions	Provides the criteria and assumptions which it is assumed (in the contract) that the tenderer has taken into account when developing his prices, or target in the case of target and cost reimbursable contracts.
C2.2	Pricing schedules / Activity schedule / Bill of quantities	Records the contractor's prices for providing goods, services or engineering and construction works which are described in the scope of work section of the contract.
C3: Scope of work		
C3	Scope of work	Specifies and describes the goods, services, or engineering and construction works which shall be provided, and any other requirements and constraints relating to the manner in which the contract work shall be performed.
C4: Site information (engineering and construction works contracts only)		
C4	Site information	Describes the site as at the time of tender to enable the tenderer to price his tender and to decide upon his method of working and programming, and risks.

Activities associated with a competitive negotiation procedure are very similar to the competitive selection procedure for the first five activities and the last two activities. Activities 6 to 8 in this procedure relate to the determination of the acceptability of preferred tenderers, the negotiation of procurement needs with preferred tenderers and the evaluation of revised or best and final offer, respectively. Comprehensive guidance and step-by-step actions for each activity in these procurement procedures are contained in Annex C of SANS 10845-3 and SANS 10845-4. The SIPDM establishes comprehensive requirements for the contents of evaluation reports, which are aligned with the provisions of these South African national standards.

The contract data establishes the conditions of contract that describe the responsibilities, liabilities and obligations of the contracting parties and the agreed procedures for the administration of the contract. It does so by identifying the standard form of contract identified from Table 4 and providing the contract variables or information needed to operate the contract, including the choice of options. Standard forms of contract that are not listed in the approved list of standard forms of contract in Table 4 may not be used in public sector contracts, e.g. the NEC3 Framework Agreement, the Professional Consultants Services Agreement Committee's (PROCSA) Client/Consultant Professional Services Agreement, Consulting Engineer's South Africa Model Professional Services Agreement and Specific Data August 2014, and the FIDIC Client/Consultant Model Services Agreement.

The SIPDM provides the following standard forms which, if applicable, need to be included in the Returnable Schedules:

- Record of Addenda to Tender Documents which requires tenderers to confirm that they have taken into account addenda, if any, issued prior to the closure of tenders;
- Proposed Amendments and Qualifications which requires tenderers to record any deviations or qualifications permitted in terms of the standard conditions of tender;
- Preferencing Schedule: Broad-Based Black Economic Empowerment status which enables broad-based black economic contributors to claim preferences;
- Compulsory Declaration which captures essential information required to confirm compliance with legislative requirements and enables tenderers to make certain declarations required in terms of procurement legislation; and
- Municipal Declaration and Returnable Documents which facilitate compliance with the requirements of the Supply Chain Management Regulations issued in terms of the Local Government: Municipal Finance Management Act of 2003.

The SIPDM makes it clear that standard documentation issued by a relevant treasury for non-infrastructure procurement is not to be included in infrastructure procurement documents, unless they are found to be compatible and not in conflict with the provisions of a procurement document which complies with the SIPDM provisions.

PRICING DATA

The pricing data comprises the pricing assumptions and the pricing schedules, which can be in the form of activity schedules or bills of quantities. Such data needs to be aligned with the selected pricing strategy embedded in the standard forms of contract indicated in Table 4 or the provisions for payment developed in the contract data.

Bills of quantities are not to be used as a specification of materials, goods or methods.

SCOPE OF WORK

The scope of work identifies the goods, services or engineering and construction works which are to be provided during the contract, and establishes requirements and constraints relating to the manner in which the contract is to be performed. The scope of work needs to provide sufficient information to enable tenderers to price and plan the requirements for the contract to comply with the employer's requirements and expectations in the performance of the contract. The content of the scope of work differs between categories of contract, i.e. between goods, services and engineering and construction works, and varies significantly from contract to contract. Annex C of SANS 10845-2 provides guidance and comprehensive checklists as to what should be addressed in the scope of work.

The scope of work identifies the information upon which the contractor has priced the goods, services or engineering and construction works, i.e. the contract drawings, the specifications and instructions. This document accordingly captures the baseline information at the start of the contract. All changes made by the employer or the employer's agent after the start of the contract are evaluated against this baseline information. It is therefore essential that this document accurately reflects what is agreed to be delivered at the start of the contract in exchange for the contract price.

Standard forms of contract have been shifting away from the traditional master-servant relationship between the parties. This change in approach requires that the scope of work be objective in its formulation. For example, clause 15.5 of the 2007 edition of the JBCC Principal Building Agreement (PBA) stated that the "the contractor shall provide everything necessary for the proper execution of the works and shall carry out and complete the works in compliance with the contract documents, using materials and workmanship of the quality and standards specified therein, provided that such quality and standards shall be to the reasonable satisfaction of the principal agent". This edition of JBCC PBA defined a defect as "any aspect of materials and workmanship forming part of the works that, in the opinion of the principal agent, is due to the failure of the contractor to comply with his obligations in terms of the agreement". The 2014 edition of JBCC PBA, however, requires the contractor to "provide everything necessary for the proper execution of the works in accordance with the contract documents" and defines a defect as "any aspect of materials and workmanship forming part of the works that does not conform to the contract documents".

Another good example of the master-servant approach to drafting documents can be found in the SANS 1200 specifications for civil engineering works which were developed during the 1980s. These specifications assign duties to the engineer using terms such as "in the opinion of the engineer", "as the engineer may direct", "approved by the engineer", "the engineer considers", "obtain specific instructions from the engineer before proceeding", "the engineer allows to be incorporated", "the engineer is satisfied", "ordered by the engineer", and "to the satisfaction of the engineer". These terms introduce sub-

jectivity and uncertainty as to what the actual requirements are. For example, how can a contractor price for something for which he is at the mercy of the engineer? What precisely is a defect in terms of the contract?

The information contained in the scope of work prior to the start of the contract and any information issued thereafter need to be objective in order to minimise risk pricing, minimise waste, and avoid substandard quality or disputes arising during the execution of the contract.

SANS 10845-1 stipulates that the scope of work should:

- be described in terms of performance of functional characteristics rather than the design of descriptive characteristics, and be based on national or international standards, where such exist; and
- not create trade barriers, and any reference to any particular trademark, name, patent, design, type, specific origin or producer should not be made unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, and such reference is accompanied by the words "or equivalent".

SUBCONTRACTING

There are three types of subcontractors provided for in standard forms of contract for engineering and construction works. The first type is a domestic subcontractor who is appointed by the main contractor at his discretion. The second type is a nominated subcontractor who is nominated by the employer, which the contractor is obliged to appoint as a subcontractor. The third type is a selected subcontractor who is selected by the contractor in consultation with the employer in terms of the requirements of the contract.

The main contractor has no control over the appointment of nominated subcontractors. Accordingly, if there is any delay in the appointment of such a subcontractor for whatever reasons, the employer is liable for any expenses and costs that the main contractor may incur as a result of such delay. The main contractor has control over the appointment of selected subcontractors if he is made responsible for the procurement process. As a result, the employer is not liable for any expenses or costs associated with a delay in the appointment of the selected subcontractor, unless the employer or the employer's representative is responsible for developing the selected subcontractors' procurement documents or controlling the procurement process.

The standard forms of contract approved in the SIPDM (see Table 4) approach subcontracting differently. The FIDIC forms of contract and the JBCC PBA make provision for nominated subcontractors. The JBCC PBA and SAICE's

Table 4: Approved forms of contract for infrastructure projects

Standard forms of contract	Pricing strategies provided for	
Engineering and construction contract		
FIDIC Short Form of Contract	Lump sum, bill of quantities or cost reimbursable	
FIDIC Conditions of Contract for Construction for Building and Engineering Works designed by the Employer (Red book)	Bill of Quantities	
FIDIC Conditions of Contract for plant and design-build for electrical and mechanical plant, and for building and engineering works, designed by the contractor (Yellow book)	Bill of Quantities	
FIDIC Conditions of Contract for EPC Turnkey Projects (Silver book)	Lump sum	
FIDIC Conditions of Contract for Design, Build and Operate Projects (Gold book)	Lump sum	
JBCC Principal Building Agreement (PBA)	Lump sum, schedule of rates or Bill of Quantities	
JBCC Minor Works Agreement (MWA)	Lump sum, schedule of rates or Bill of Quantities	
NEC3 Engineering and Construction Contract (ECC)	**Priced-based options** A: Priced contract with Activity Schedule B: Priced contract with Bill of Quantities	**Cost-based options** C: Target contract with Activity Schedule D: Target contract with Bill of Quantities E: Cost reimbursable contract F: Management contract
NEC3 Engineering and Construction Short Contract (ECSC)	Priced contract with Price List	
SAICE General Conditions of Contract for Construction Works (GCC)	Bill of Quantities or lump sum	
Service contract		
CIDB Standard Professional Service Contract	No fixed pricing strategy	
NEC3 Professional Services Contract (PSC)	**Priced-based options** A: Priced contract with Activity Schedule	**Cost-based options** C: Target contract E: Time-based contract
	G: Term contract (time-based and lump sum prices)	
NEC3 Professional Services Short Contract (PSSC)	Priced contract with Price List	
CIDB General Conditions of Service	No fixed pricing strategy	
NEC3 Term Service Contract (TSC)	Priced-based options A: Priced contract with Price List	
NEC3 Term Service Short Contract (TSSC)	Priced contract with Price List	
Supply contract		
CIDB General Conditions of Purchase	No fixed pricing strategy	
CIDB Contract for the Supply and Delivery of Goods	No fixed pricing strategy	
NEC3 Supply Contract (SC)	Priced contract with Price Schedule	
NEC3 Supply Short Contract (SSC)	Priced contract with Price Schedule	

Table 5: Activities associated with the evaluation of expressions of interest and tender offer made in terms of a competitive selection procedure

Procedure	Activities		Related SANS 10845 clauses governing actions associated with activities	
	No	Description		
Evaluation for an expression of interest (SANS 10845-4)	1	Open and record submissions received.	5.3 Late submissions 5.4 Opening of submissions	4.7 Making a submission 5.7 Test for responsiveness
	2	Determine whether or not submissions are complete and comprehensible.	5.7 Test for responsiveness	
	3	Determine whether or not tender offers are responsive.	4.1 Eligibility 4.5 Clarification meeting	5.7 Test for responsiveness
	4	Evaluate submission.	5.9 Evaluation of responsive submissions	
	5	Determine if there are any grounds for disqualification.	5.6 Grounds for rejection and disqualification	
	6	Action outcome of the evaluation.		
Evaluation and award of tenders in a competitive selection procedure (SANS 10845-3)	1	Open and record tender offers received.	3.5 Employer's right to accept or reject any tender offer 4.13 Tender submissions 4.14 Information and data to be completed in all respects 4.16.2 Withdrawal of tenders	5.3 Returning late tender offers 5.4 Opening of tender submissions 5.5 Two-envelope system 5.8 Test for responsiveness
	2	Determine whether or not tender offers are complete.	4.6 Acknowledging addenda 4.13 Tender submissions 5.8 Test for responsiveness	4.14 Information and data to be completed in all respects 4.18 Other material
	3	Determine whether or not tender offers are responsive.	4.1 Eligibility 4.7 Clarification meeting 4.10 Pricing the tender offer 4.11 Alterations to documents 4.12 Alternative tender offers 4.13 Tender submissions	4.13.3 Tender securities 4.13.4 Inclusion of certificates 4.19 Inspections, tests and analysis 4.20 Submitting securities, bonds, policies, etc 5.8 Test for responsiveness
	4	Evaluate tender offers.	5.11.1 General 5.11.3 Method 2 5.11.4 Method 3 5.11.5 Method 4	5.11.6 Decimal places 5.11.7 Scoring financial offers 5.11.8 Scoring preferences 5.11.9 Scoring quality
	5	Determine if there are any grounds for disqualification.	5.7 Grounds for rejection and disqualification	
	6	Determine acceptability of preferred tenderer.	5.9 Arithmetical errors, omissions and discrepancies 5.10 Clarification of a tender offer	5.11 Evaluation of tender offers 5.13 Acceptance of a tender offer
	7	Prepare a tender evaluation report.		
	8	Confirm recommendation contained in the tender evaluation report.		

GCC 2015 make provision for selected subcontractors. The NEC3 ECC makes only provision for domestic subcontractors. However, constraints on how subcontractors are to be appointed can be included in the scope of work. This enables subcontractors to be appointed as selected subcontractors.

PROCUREMENT STRATEGY AND TACTICS

A strategic approach to procurement above the project level to balance competing objectives and priorities rather than viewing each project in isolation, is undertaken during Stage 2 (strategic resourcing) in the control framework provided for the planning, design and execution of infrastructure projects contained in the SIPDM. Procurement strategy as such reflects at a high level the choices made in determining what is to be delivered through a particular contract, the procurement and contracting arrangements and how secondary (or developmental) procurement objectives are to be promoted during the implementation phase of an infrastructure project. Procurement plans and procurement documents need to be framed around and reflect these high-level choices.

Procurement tactics, on the other hand, are required to implement procurement strategies. Such tactics relate to the setting up of procurement documents to solicit tender offers and to enter into contracts, i.e. the formulation of submission data, tender data, contract data, the pricing and the scope of work associated with a contract or order issued in terms of a framework contract. Choices are informed by a number of considerations and are made at the time that procurement documents are drafted.

Table 6 identifies the tactical variables included in the standard conditions for calling for expressions of interest and the

Table 6: Examples of tactical variables provided in SANS 10845-3 and SANS 10845-4		
Standard conditions	**Example of tactical variables**	**Commentary**
Conditions for the calling for expressions of interest (SANS 10845-4)	Eligibility criteria	Eligibility criteria can be used to introduce minimum qualification or pre-qualification criteria to screen out unsuitable respondents prior to the evaluation of submissions.
	Clarification meetings	Clarification meetings can be used to interact with and to communicate specific requirements, innovations, etc, associated with a procurement to respondents.
	Procedure for the evaluation of submissions	Respondents can be evaluated in terms of their capability and capacity to perform the contract in terms of a compliance/non-compliance basis or in terms of a scoring system, with or without minimum qualifying thresholds. (The scoring system can be used to limit the number of respondents invited to submit tender offers.)
Conditions of tender (SANS 10845-3)	Eligibility criteria	Eligibility criteria can be used to introduce minimum qualification or pre-qualification criteria to screen out unsuitable tenderers prior to the evaluation of submissions.
	Compensation of tenderers for preparing aspects of the tender	Incentives for quality submissions can, for example, be made in design competitions through the awarding of cash prizes.
	Main tender offers are not required to be submitted together with alternative tenders	Can be used to encourage innovation in certain circumstances.
	Tenderers may offer to provide any of the following parts, or combinations thereof, of the works, services or goods	Can be used to make the contract more attractive to smaller or specialist contractors who may not be able to provide the full range of goods, services or works that is required.
	The procedure for the evaluation of responsive tenders	Tender offers can be evaluated in terms of three variables, namely financial offer, preference and quality. A point-scoring system is followed where more than one variable is evaluated.

standard conditions of tender contained in SANS 10845-4 and SANS 10845-3, respectively. Such tactics are aimed in the main on the selection of a contractor who is most likely to deliver best value through the performance of the contract, life cycle costs of what is offered, the availability of spares, operation and maintenance requirements, etc. Tender assessment schedules may be required to reduce tender offers to a comparative basis, particularly where pricing parameters are tendered which allow the price to be developed once the work is identified, or to determine the cost of changes in requirements or events for which the contractor is not at risk. Such schedules need to be included whenever the NEC3 standard forms of contract are used.

Most current procurement processes can be described as either being "traditional" or "collaborative". Traditional approaches involve detailed designs and specifications being prepared to allow procurement to proceed on the basis of the lowest price adjusted for a preference. This method works well for simple, well-defined projects where the offer and acceptance can be clearly defined. In traditional approaches, the range of tactics which may be employed is low.

Traditional procurement often seeks to place all the risk within the supply chain through standard prescriptive terms. This transfer is priced by suppliers and incorporated into their tender sums. A collaborative approach allows the parties to negotiate both value-efficient and cost-efficient solutions in relation to these risks. Risks can be identified more readily within an integrated team working together on a construction project, and risk can be discussed more openly with a greater emphasis on mitigation. Clients may wish to retain all risks to benefit from cheaper tender sums. Collaborative contracts require a number of tactical decisions to be made to enable the contract to not only allocate specific risks, but also to incentivise performance to achieve best results.

Tactics which may be employed in the setting of the terms and conditions of contracts include price adjustment for inflation, payment in multiple currencies, parent company guarantees, bonus for early completion, delay damages, transfer of rights, performance bonds, partnering arrangements, retention, advance payment to the contractor, low-performance damages, limitation of liability, financial incentives for attaining or exceeding a key performance indicator, etc.

Procurement documents need to capture the selected procurement strategy and tactics to enable their implementation.

NOTE

Further insights and information can be obtained from:

BS 8534:2011. Construction procurement policies, strategies and procedures – Code of practice. British Standards Institute.

SANS 10845-1:2015 ISO 10845-1:2010. Construction procurement – Part 1: Processes, methods and procedures. South African Bureau of Standards.

SANS 10845-2:2015 ISO 10845-2:2011. Construction procurement – Part 2: Formatting and compilation of procurement documents. South African Bureau of Standards.

SANS 10845-3:2015 ISO 10845-3:2011. Construction procurement – Part 3: Standard conditions of tender. South African Bureau of Standards.

SANS 10845-4:2015 ISO 10845-4:2011. Construction procurement – Part 4: Standard conditions for the calling for expressions of interest. South African Bureau of Standards.

Watermeyer, R B 2015. Design and Adoption of Innovative Procurement Systems in Infrastructure Delivery. West Africa Built Environment Research Conference, Accra, Ghana, August.