

Introduction to Proposals

This section introduces the concept of using proposals to obtain prices. A well prepared Request for Proposals (RFP) can go a long way to creating effective programs with reliable contractors.

The purchaser should also review *Section 808-1*, of the *Financial Administration Manual (FAM)*, which provides directives and guidelines on the proposal process.

Proposals Different from Tenders

A proposal is different from a tender. Unlike a tender, an RFP is not an offer, but only contemplates an offer. Unlike the receipt of a tender, the receipt of a proposal is not an acceptance, and therefore does not result in a contract. For example, a marriage proposal does not always result in an agreement of marriage.

- An **RFP** is used when the purchaser is looking for the best value solution to resolve a problem or to deliver a good or service, **but is not exactly sure how to achieve it.**
- A **tender** is used when the purchaser **knows exactly** what good or service they want and is looking for the best price to deliver it.

The difference between a tender and a proposal is well explained in recent NWT court judgement:

“When the Government knows what it wants done and how it should be done (such as a construction project), it will already have its plans and specifications and is looking simply for the best price. On the other hand, when the Government knows what it wants done, but not how to go about doing it, it seeks proposals on methods, ability, and price. Then it can negotiate on the best method to achieve the best value.” **(1) Socanav Inc and the GNWT et al., SCNT, Vertes, Aug 5, 1993.**

When to Use a Proposal or a Tender

To determine whether to use an RFP or a tender, consider the following.

Tender - Know What and How

Use a **tender** if you **know what** you want done **and how** it should be done:

- if the good or service is clearly defined; or
- if there is a detailed methodology, procedure, or material and performance specification

Proposals - Know What, But Not How

Use an RFP if you know what you want done, but you do not know how it should be done, that is:

- if the good or service is **not** clearly defined; or
- if there is **no** detailed material or performance specification; or
- if you are looking for a general solution to a problem; or
- if the proponent's solutions are expected to be quite varied and/or difficult to evaluate.

