Prequalification tender: procedure stage for selecting suitable bidders

The prequalification tender is the first stage of a two-stage award procedure in which potential suppliers demonstrate their suitability before being admitted to bid submission. In practice, it is used primarily in public procurement law, but is also relevant in industrial procurement as a concept for supplier pre-selection. For buyers, this is where it is decided how large, qualified and competitive the bidder pool for a subsequent tender will be.

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Key facts at a glance

01 The prequalification tender assesses the suitability of interested parties before they may submit a bid.

02 It is typically used in the open procedure with prequalification, the restricted procedure and competitive award procedures.

03 Admission and evaluation are separated: price evaluation takes place only in the second stage.

04 Suitability requirements must be transparent, proportionate and non-discriminatory.

05 In industry, the prequalification tender corresponds to supplier qualification and the sourcing readiness level of procurement.

06 A well-designed prequalification tender strengthens competition rather than restricting it through excessive suitability criteria.

Definition: prequalification tender

The prequalification tender is the preparatory procedural stage in which a contracting authority determines which suppliers are fundamentally capable of participating in a tender. Requests to participate are evaluated instead of bids, whereby only technical, commercial and financial suitability counts – not price. Whoever passes the prequalification tender receives the tender documents and may submit a binding bid, frequently as a Binding Offer, in the second stage.

Legal basis

Under procurement law, the prequalification tender is provided for several procedure types, in particular the open procedure with prequalification and the restricted procedure. The contracting authority publishes the contract notice with the suitability criteria and invites submission of requests to participate. What is crucial is that the requirements are already named in full and comprehensibly in the notice, so that interested parties can demonstrate their suitability in a targeted manner. Subsequent, disproportionate additional requirements are not permissible.

Distinction from the bidding procedure

No commercial evaluation takes place in the prequalification tender: there is no price comparison and no lowest-ranked bid. Assessment is exclusively of whether the interested party meets the suitability and selection criteria. This allows selection decisions and price discussions to be clearly separated, which increases transparency and reduces bid disputes. For procurement, this means that suitability data must be documented and archived separately from bid data.

Methods and approach in the prequalification tender

A structured approach begins with the definition of the suitability criteria and ends with the admission of a sufficiently large group of bidders. The entire process should be organised as a documented, traceable process, ideally aligned with the internal rules for procurement policy compliance and the purchase order approval hierarchy.

Defining suitability criteria

Typical criteria are technical capability (reference projects, machinery, certifications), professional and commercial standing, and commercial and financial capability, often evidenced by balance sheets or credit reports. The criteria must relate to the subject matter of the contract and be proportionate. In practice, it has proven useful to differentiate requirements in stages: minimum requirements as admission prerequisites and selection criteria if the pool of suitable candidates needs to be limited.

Two-stage process

Stage 1 comprises the notice, submission of requests to participate and their review. Stage 2 begins with the transmission of the tender documents to the admitted applicants and ends with bid opening and evaluation. The deadlines follow the chosen procedure type; they must be specified as binding in the notice. A clean separation of the stages also facilitates later lessons learned from completed tenders.

Supplier pre-selection in industry

Even outside public procurement law, industrial companies use the principle of the prequalification tender as supplier qualification prior to the actual enquiry. For new parts, for example in pre-series procurement, it is checked in advance whether a supplier can meet the manufacturing requirements. This reduces the workload in the bidding phase and improves the quality of incoming bids. The results

frequently feed into an assessment of the sourcing readiness level of procurement.

Key KPIs and success measurement

The quality of a prequalification tender can be measured: the key factors are the number of qualified participants, the rate of valid bids in the subsequent phase and the time to the admission decision. These metrics show whether the suitability requirements promote or inadvertently restrict competition.

Participant and bid rates

In practice, healthy competition is frequently reflected in at least three to five admitted applicants at medium volumes. If the number of valid bids in stage 2 falls significantly below the number of admitted applicants, this indicates excessive suitability requirements or unclear tender documents. This discrepancy should be analysed systematically as part of lessons learned.

Cycle time and process quality

The time from notice to admission decision is a direct indicator of process maturity. In practice, it ranges from a few weeks to several months depending on complexity. Standardised suitability forms and, for larger volumes, a high degree of automation of invoice processing and document workflow throughout the procurement process are helpful.

Risks and controls

The prequalification tender carries risks if suitability criteria are tailored to an intended bidder or requirements are set at a disproportionate level. Such constellations can trigger review procedures, delays and reputational damage. Clear controls and documented decisions are therefore indispensable.

Non-discriminatory criteria

Every requirement must be objectively justifiable and related to the subject matter of the contract. Reference projects must not be formulated so specifically that in practice only one supplier can meet them. Traceability also provides internal protection: whoever documents reviews as part of procurement policy compliance can substantiate decisions robustly to auditors and authorities.

Confidentiality and conflicts of interest

Requests to participate contain sensitive company data whose protection requires regulated handling. Involved staff must be checked for conflicts of interest, in particular family-like or personal connections to applicants. A documented confidentiality commitment is standard practice.

Taking supply risks into account

Suitability assessment should also cover resilience aspects: financial stability, depth of manufacturing and fallback capacities influence whether a supplier remains able to deliver in the long term. Supporting

evidence such as a Business Continuity Plan (BCP) or sustainability credentials, such as an EcoVadis rating, which also supports the reporting obligations under the Corporate Sustainability Reporting Directive (CSRD) and in future the Corporate Sustainability Due Diligence Directive (CSDDD) in the supply chain, is helpful. Which evidence is specifically required must be assessed for proportionality in each individual case.

Current developments and practical trends

The prequalification tender is being transformed by digitalisation, sustainability requirements and supply chain pressure. Buyers are increasingly using digital platforms for notices and application intake, while ESG credentials are entering the suitability assessment.

Digitalisation of the application process

Digital procurement platforms enable standardised requests to participate, automatic completeness checks and centralised supplier master data. This reduces the review workload and accelerates admission. At the same time, the expectation is growing that suitability data will be captured once and reused across multiple tenders, similar to demand bundling across categories.

Sustainability as a suitability criterion

Sustainability requirements are gaining weight: questions on Scope 1 emissions, the recycled content ratio in production materials or reporting capabilities are increasingly appearing in suitability enquiries. Proportionality is key: evidence must match the subject matter of the contract and must not constitute a de facto barrier to entry for medium-sized suppliers.

Competitiveness and supply resilience

Supply chain disruptions in recent years have shown that an overly narrow bidder pool jeopardises security of supply. Many buyers therefore deliberately broaden the pool of participants and combine the prequalification tender with instruments such as procurement marketing in order to actively approach potentially suitable suppliers. Internally, the S&OP cycle team should input capacity requirements at an early stage so that suitability requirements remain realistic.

Typical metrics

Metric	Typical value
Admitted applicants per award	typically 3–5 *Benchmark for functioning competition at medium volumes*
Valid bid rate	> 80 % *Proportion of admitted applicants submitting a bid in stage 2*

Stage 1 cycle time	frequently 4–12 weeks *Highly variable depending on procedure type and complexity*
Completeness rate of applications	> 95 % *A higher value indicates clear application forms*

Practical example

A medium-sized mechanical engineering company awards the manufacture of a new assembly package with a mid-range seven-figure volume and uses a two-stage process with a preceding prequalification tender. In stage 1, procurement requests references for comparable steel assemblies, certification evidence for welding production and evidence of financial stability. Of twelve requests to participate received, seven applicants are admitted; five submit a Binding Offer in stage 2. The resulting price range is significantly below the original estimates.

- Suitability criteria agreed in advance with engineering and quality and justified in writing
- Standardised application form with uniform evidence checklists used
- Admission decision documented and checked under the four-eyes principle
- Results and exclusion reasons archived as lessons learned

Conclusion

The prequalification tender is more than a formal legal procedure: it determines who may compete for a contract at all, and thereby shapes the scope of competition, price levels and supply risk. Cleanly defined, proportionate suitability criteria and complete documentation are the decisive success factors. Industrial buyers benefit when they consistently establish the principle as supplier pre-selection and support it digitally. Those who cleanly separate the participation and bidding stages reduce potential for disputes and accelerate the award. In the end, the effort pays off through more valid bids and better negotiation outcomes.

Frequently asked questions

? What is a prequalification tender in simple terms?

In a prequalification tender (Teilnahmewettbewerb), interested parties initially submit only a request to participate together with evidence of suitability, without submitting a price bid. The contracting authority assesses who is technically, commercially and financially capable of fulfilling the contract. Only the admitted applicants receive the tender documents and may submit a bid in the second stage.

? In which procedure types is a prequalification tender provided for?

It is typically used in the open procedure with prequalification, the restricted procedure and the competitive procedure with negotiation-style award processes. The precise requirements depend on

the threshold value, the contract type and the applicable procurement regulations. In individual cases, the choice of procedure should always be checked against current legal requirements.

? What is the difference between a request to participate and a bid?

A request to participate only demonstrates the suitability of the interested party, without prices or solution approaches. A bid, by contrast, contains the commercial and technical solution and is generally binding. The two documents must not be mixed, otherwise the separation of admission and evaluation is lost.

? How many applicants should be admitted in a prequalification tender?

There is no universally valid figure; in practice, a group of around three to five qualified applicants is considered conducive to competition. What matters is that the suitability criteria do not artificially restrict competition. For highly specialised services, a smaller group may also be justified, provided this is documented.

? Which suitability criteria are common in a prequalification tender?

Frequently required are evidence of technical capability such as references and certifications, evidence of professional and commercial standing, and evidence of financial capability, such as creditworthiness and balance sheet data. In addition, project-specific requirements such as capacity or quality evidence may apply. All criteria must be proportionate and relevant to the subject matter of the contract.

? What role does the prequalification tender play in industrial procurement?

In industry, the concept serves as a structured supplier pre-selection prior to the actual bidding phase, for example in pre-series procurement or with new suppliers. It reduces the workload for both parties and improves bid quality. The results feed into supplier master data and the sourcing readiness level of procurement.

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