



# **Proof-of-Concept in the Procurement Process**

**ICT Procurement Guideline**

**May 2026**

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This document is part of the suite of whole-of-government procurement resources designed for use by State agencies that are subject to the [Western Australian Procurement Rules](#) and other procurement connected policies and directions. Refer to the [Buying for government](#) page on [WA.gov.au](http://WA.gov.au) to access these resources.

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# Introduction

This document provides guidance to Western Australian State agencies on incorporating a proof-of-concept into an ICT procurement to enable the testing of a new ICT solution before committing to a full purchase.

For the purposes of this Guide, a 'proof-of-concept' stage in a procurement means:

- testing of a product or service to assess its feasibility before purchasing it in full; and/or
- implementing a preferred product or solution in a live environment prior to committing to a full rollout.

A proof-of-concept process may sometimes be referred to as a 'pilot' or similar, but if the objective is effectively the same, this Guide will remain relevant.

This Guide should be read in conjunction with the [ICT Procurement Framework](#) and the [Western Australian Procurement Rules](#) (WAPR).

## Funding Strategy and Business Case Stage

While this guide primarily addresses proof-of concept considerations in the procurement lifecycle, there are additional considerations to consider at the business case and budget approval stage of a procurement.

The Office of Digital Government and the Department of Treasury and Finance have developed a comprehensive suite of guidance materials to assist agencies in developing business cases, planning and implementing project delivery, and ensuring benefits realisation is integrated from the program's inception. These resources are available on the Office of Digital Government's [Policies and Guidance](#) page and [Whole-of-Government ICT Modernisation Framework](#) page.

## 1. Proof-of-concept

### 1.1 Should I use a proof-of-concept process?

A well-implemented proof-of-concept process can improve procurement outcomes by providing firsthand experience of a desired solution, confirming its suitability before a full roll-out. This approach helps mitigate the risks associated with procuring a new, untested solution.

Some benefits of including a proof-of-concept process in a procurement include:

- Allowing an agency to test assumptions, providing opportunities to amend and refine the product and/or service delivery model at an early stage.
- Avoiding an agency from being locked into a long-term contract for a solution that is not fit for purpose.
- Potentially providing an environment that is more conducive for suppliers to propose and test innovative solutions.

However, a proof-of-concept process adds considerable complexity and time to a procurement and requires advice from legal and other experts. Agencies should undertake thorough analysis to ensure that benefits of a proof-of-concept process will outweigh the costs. The need for a proof-of-concept phase should be substantiated by extensive research and market sounding.

The tables below provide considerations to help State agencies determine whether a proof-of-concept process is an appropriate due diligence measure to evaluate a solution.

A proof-of-concept phase may be appropriate if:	Example
✓ you have a clear outcome in mind but are uncertain about the best technical solution to get there;	<p>WA Health required a contemporary, cloud-based Human Resource Management Information System (HRMIS) to deliver payroll and employee services to 50,000 WA Health system employees across numerous industrial agreements.</p> <p>Risks were elevated due to the critical need to operate a large number of applications on a single platform.</p> <p>Including a proof-of-concept phase in this procurement provided end users with a level of assurance that the HRMIS outcomes will be aligned to WA Health's needs.</p>
✓ no off-the-shelf option meets your needs;	
✓ the project is expected to be high risk;	
✓ the estimated total project costs are significant; and/or	
✓ the estimated term of the final contract exceeds five years (and has received approval in accordance with Rule C2.3 of the WA Procurement Rules).	
A proof-of-concept phase is unlikely to be appropriate if:	Example
✗ your requirements and specifications are well understood by your agency and the market;	<p>An agency is seeking to procure a standard, off-the-shelf HRMIS for an organisation of 1000 employees under one industrial award.</p> <p>The agency would like to see how the solution operates in a live environment prior to a full roll-out.</p> <p>Given the low complexity of the procurement and readily available solution, it would be more appropriate to use a different mechanism such as a supplier demonstration.</p>
✗ other due diligence tools can effectively test the solution's suitability;	
✗ your agency lacks the resources or internal knowledge required to evaluate the proof-of-concept adequately; and/or	
✗ the project is low risk and low value.	

## 1.2 How to undertake a proof-of-concept process

Thorough planning is crucial for a successful proof-of-concept process. This section focuses on procurement planning considerations, including:

- developing a procurement strategy, including scoping a proof-of-concept; and
- contractual considerations, including intellectual property.

The following guidance should be read in conjunction with the general information in the Department of Treasury and Finance’s [Procurement Planning Guidelines](#), [Request Development and Contract Formation Guidelines](#), and [Evaluation of Offers Guidelines](#).

Planning is also essential to ensure enough time is allocated to undertake the proof-of-concept. Additionally, agencies should identify and include the procurement in their Strategic Forward Procurement Plan (mandatory for procurements valued at \$250,000 and above). This will provide additional visibility to industry on intended procurements and assist agencies to allow for adequate time in their project or procurement schedule.

## 2. Proof-of-concept and the procurement process

### 2.1 Procurement strategy

Ensure you take the time to determine the most appropriate procurement methodology for your proof-of-concept process. Depending on your needs and the context, you may choose to:

- (option 1) include a proof-of-concept into a single procurement process with distinct phases, or
- (option 2) undertake a multi-stage procurement process.

If undertaking the proof of concept within a single procurement process (option 1), you may choose to:

- execute a separate contract for the proof-of-concept prior to establishing a contract for a complete roll-out of the solution, or
- directly award one contract for both the proof-of-concept and full solution, with discretionary rights of termination after the proof-of-concept phase.

**When planning a proof-of-concept, consider factors relating to funding in the procurement strategy.**

#### 2.1.1 Examples

A proof-of-concept can be incorporated into a procurement strategy in several different ways. The suitable option for a State agency will depend on its objectives for using a proof-of-concept, the product/solution’s requirements, etc. Three examples are included below:

##### **Example 1: Single procurement process; proof-of-concept before award**

*This example may apply if an agency is seeking to test the feasibility of a product/solution before committing to purchasing it.*

- Issue a Request with a separate proof of concept contract where the offer for the full solution remains open for acceptance until the proof-of-concept has been completed within the tender process.

- Evaluate offers and either proceed to a proof-of-concept phase (i.e. whether to shortlist one or more respondents to progress to proof-of-concept phase) **or** decline all offers.
- Establish 'proof-of-concept' contract (letter of engagement or similar) with preferred respondent(s)
- Run and evaluate proof-of-concept process per Request requirements.
- Decide whether a preferred respondent's proof-of-concept provided your agency with enough confidence to deliver a full solution and enable a value for money outcome.
- Negotiate with preferred respondent(s) as required and finalise contractual requirements.
- Award contract(s) for the full solution.

### Example 2: Single procurement process; proof-of-concept after award

*This example may apply if an agency wants to implement a preferred product/solution in a live environment before implementing it more broadly.*

- Issue a Request for the full solution, with the awarded contract to include an initial proof-of-concept phase with termination rights before proceeding to implementation.
- Evaluate offers per Request requirements and decide whether to recommend a preferred respondent(s) or decline all offers.
- Negotiate with preferred respondent(s) as required and finalise contractual requirements.
- Award contract for full solution with discretionary right to terminate after completion of the proof-of-concept phase.
- Evaluate the proof-of-concept according to the contract terms and decide whether to proceed with the next phase of the contract.

### Example 3: Multi-stage procurement process with a proof-of-concept stage

*This example may apply if an agency wants to use a proof-of-concept stage to refine the product/solution before issuing a Request for the solution.*

#### Stage 1

- Issue an Expression of Interest with a description of the product/solution being sought, to gauge interest/capacity from the market.
- Evaluate responses and choose which respondents to shortlist.

#### Stage 2

- Release a request for a proof-of-concept to shortlisted respondents identified in Stage 1.
- Undertake proof-of-concept processes with respondents using a letter of engagement (or similar). Shortlist respondents if this right is included in the request.
- Use information gathered to refine requirements for the solution.

#### Stage 3

- Depending on first phase, it may be appropriate to directly award the contract for a full solution where an exemption to procurement method applies; or undertake a restricted process for the full solution.
- If a restricted process is undertaken issue a request for the full solution, evaluate offers and make a recommendation.
- Award a contract for the full solution.



## 2.1.2 Benefits and constraints





Each proof-of-concept option will have its own benefits and constraints that should be considered when deciding which option to choose. For example:

- undertaking a single procurement process may provide greater transparency by requiring an upfront valuation for the full solution, but it may deter smaller businesses from tendering if the requirement to respond for a full solution is too resource intensive.
- awarding a contract for a full solution that includes a proof-of-concept stage as the first phase may allow an agency to work with the supplier to refine the solution, but if the proof-of-concept is unsuccessful the agency will have to go back to market.
- a proof-of-concept as part of a multi-stage procurement may allow an agency to develop a more robust and informed contract for the full solution, but it will involve multiple evaluations and market engagements, and could increase probity risks.

## 2.2 Planning the proof-of-concept

Once you have decided to pursue a proof-of-concept process, it is crucial to define the key objectives, scope, resourcing, criteria for success, risks, and mitigation strategies in the procurement strategy. Consider consulting with a wide range of stakeholders such as end users, procurement specialists, ICT experts, etc, to ensure input from diverse subject matter experts. You must also apply the [ICT Benefits Realisation Framework](#) to your project. The following considerations may help guide the planning for a proof-of-concept.

Considerations when planning a proof-of-concept:	
<p><b>Identify the key objectives and scope for the proof-of-concept</b></p> 	<ul style="list-style-type: none"> <li>➤ What are your required deliverables? What are you seeking to test?</li> <li>➤ What issues do participants in the proof-of-concept phase need to address?</li> <li>➤ When defining the proof-of-concept scope, prioritise critical areas to test and ensure it is achievable within the proposed timeframes. For example, if you only have a short timeframe allowed for the proof-of-concept stage, the scope may need to be limited to achieve this.</li> </ul>
<p><b>Determine success criteria and metrics to assess the concept</b></p> 	<p>Have you applied the <a href="#">ICT Benefits Realisation Framework</a>?</p> <ul style="list-style-type: none"> <li>➤ What performance and functional requirements will the respondent(s) need to address with their solution (including interoperability requirements) at the proof-of-concept stage?</li> <li>➤ Are the success criteria aligned with the scope for the proof-of-concept?</li> <li>➤ How will the success criteria be measured? What threshold is required for 'success'?</li> <li>➤ What will the evaluation strategy look like? For example, will the assessment of the proof-of-concept be divided into milestones or gates?</li> </ul>
<p><b>Identify and secure all internal resources</b></p>	<ul style="list-style-type: none"> <li>➤ Who within your organisation will be participating in the project, assessing its success or otherwise? Consider a</li> </ul>



<p><b>required to facilitate the proof-of-concept</b></p> 	<p>diverse range of stakeholder groups to ensure nothing is missed.</p> <ul style="list-style-type: none"> <li>➤ Who will the end users of the solution be? Are there any service delivery risks to them that require consideration?</li> <li>➤ What information, access or other resources will the participating respondent(s) require from your organisation to facilitate the proof-of-concept?</li> <li>➤ What specialist advice is required, and how will this be sourced (e.g. legal, procurement, risk management, etc)?</li> </ul>
<p><b>Establish a timeframe for the proof-of-concept phase</b></p> 	<ul style="list-style-type: none"> <li>➤ How long does your organisation need to gather the information necessary to determine the feasibility of the solution? This should factor in time for evaluation.</li> <li>➤ Depending on when and how the proof-of-concept is use, the timeframe may be relatively short to enable a 'fail fast' approach.</li> <li>➤ Will incorporating a proof-of-concept phase in your procurement require the extension of any existing contracts?</li> </ul>
<p><b>Identify risks and develop mitigation strategies</b></p> 	<ul style="list-style-type: none"> <li>➤ Does your organisation have a clear view of the challenges associated with facilitating a proof-of-concept?</li> <li>➤ Have you undertaken a risk analysis to capture potential risks and mitigation strategies for the proof-of-concept and the procurement generally?</li> <li>➤ Have you reviewed the <a href="#">Manage Risk Guidelines</a> and the <a href="#">Risk Management in the Procurement Context Guideline</a>?</li> <li>➤ How would your agency prefer to allocate ownership of intellectual property at the conclusion of the proof-of-concept phase, including where a respondent's concept is not successful?</li> <li>➤ What contractual rights would you like to have if all the preferred respondents are found to be unsuitable at the conclusion of the proof-of-concept phase?</li> <li>➤ Have you consulted with other agencies and jurisdictions to see if they have undertaken similar projects and can share lessons learned?</li> </ul>
<p><b>Set a pricing model for proof-of-concept</b></p> 	<ul style="list-style-type: none"> <li>➤ You may choose to specify a fixed price for delivery of the proof-of-concept or invite respondents to offer pricing.</li> <li>➤ If using a fixed price approach, ensure that the specified price is appropriate.</li> <li>➤ If asking respondents to submit pricing for a proof-of-concept, conduct sufficient market engagement to ensure that your pricing schedule accurately captures each component of the proof-of-concept that needs to be costed.</li> </ul>

## 2.3 Request development

In the Request development phase, the requirements for the proof-of-concept and full solution (where applicable) are articulated to the market.

The Department of Treasury and Finance maintains several [Request templates](#) for use by State agencies; however, these do not include clauses and specifications specifically related to proof-of-concept processes. The procuring agency must ensure therefore, that they specify their requirements completely and correctly. Additional provisions may also be required to supplement the generic Request Conditions to accommodate the procurement methodology being undertaken. Legal advice and/or review is recommended.

The following aspects of Request development are of particular importance:

	<p><b>The specification should be clear and consistent.</b></p> <ul style="list-style-type: none"> <li>• The Request should specify performance and functional requirements, as opposed to design or descriptive characteristics.</li> <li>• The scope of works should be reviewed by internal stakeholders, particularly those who will be running the proof-of-concept phase.</li> <li>• The evaluation criteria should align with the specification, and both should be described using clear and unambiguous language.</li> <li>• Pricing schedules should allow you to meaningfully compare Respondents' offered pricing.</li> <li>• If undertaking a single procurement process for the proof-of-concept and full solution, seek pricing for the full solution to allow you to assess value for money. Include a provision that allows for pricing adjustments to the full solution once the proof-of-concept is complete and there is greater certainty as to the cost of a full rollout. This may require careful management to ensure competitive fairness is not compromised.</li> </ul>
	<p><b>The contractual parameters of the proof-of-concept phase should be articulated clearly.</b></p> <ul style="list-style-type: none"> <li>• One option is to issue a Request that allows for the establishment of a standalone contract for the proof-of-concept phase, with the option to form a separate contract for the full solution at a later stage. To do this, you may wish to develop a 'letter of engagement' or similar document, for the formation of the proof-of-concept contract. A 'letter of engagement' or similar document should:             <ul style="list-style-type: none"> <li>➢ outline the objectives of the proof-of-concept and specific contract terms applicable to the proof-of-concept phase (e.g. General Conditions of Contract);</li> <li>➢ require counter-signing by the respondent;</li> <li>➢ be included as an attachment to the Request; and</li> <li>➢ contain terminology that is consistent with the Request terminology.</li> </ul> </li> <li>• Alternatively, you can structure your Request to award a single contract for both the proof-of-concept and the full solution, with a right to terminate the contract (at the customer's sole discretion) at the conclusion of the proof-of-concept phase. If taking this approach, ensure that your Request clearly specifies the applicable conditions of contract.</li> <li>• Under either Request structure:</li> </ul>

	<ul style="list-style-type: none"> <li>➤ Consider how you could proceed to work with a different respondent if your contractor's proof-of-concept is not successful. This may require structuring the Request and Request Conditions to enable suppliers' offers to remain open for acceptance for an extended period. Legal advice is strongly recommended if you are seeking to take this approach. Note that extended validity periods may result in increased prices from suppliers.</li> <li>➤ Consider the options you want available should all the preferred respondents be found unsuitable to progress to a full roll-out of the solution. For example, does your agency want to build in contractual mechanisms to allow negotiations with a respondent that was not found suitable to progress to the proof-of-concept stage? Or would your agency have to decline all offers and start a separate procurement process incorporating its learnings?</li> <li>• Include a right to negotiate changes to the full solution that can be relied upon following completion of a proof-of-concept.</li> </ul>
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## 2.4 Evaluation of Offers

Under Rule D5 of the WAPR, the evaluation of offers must be conducted in accordance with the evaluation criteria and process documented in the Request. The [Evaluation of Offers Guideline](#) outlines obligations for State agencies purchasing goods and services, and provides suggestions to increase the likelihood of a successful outcome.

If you intend to undertake a proof-of-concept process within a single approach to market process, the evaluation phase will consist of two phases:

- Evaluation of Offers. The procuring agency will assess the proposals for the full solution received against the evaluation criteria and determine which respondent(s) (if any) will proceed to the proof-of-concept.
- Evaluation of Proof-of-concept. Respondents selected to participate in the proof-of-concept phase will demonstrate their solution within the parameters established by the Request document, in close collaboration with the procuring agency.

### 2.4.1 Evaluation of the proof-of -concept

The evaluation of the proof-of-concept should be a continuous assessment conducted over the specified timeframe, as communicated in the Request, and should be the same for all Respondents progressing to the proof-of-concept stage. Progress against the defined objectives should be regularly reviewed by the agency and the respondent/s, so that issues are identified early and resolved, and risks not previously identified are mitigated.

Key considerations in assessing the proof-of-concept may include:

<b>1</b>	<p><b>Fitness for purpose</b></p> <ul style="list-style-type: none"> <li>• How has the solution performed against the success criteria defined in your project scope?</li> <li>• Has the solution sufficiently demonstrated an ability to integrate with any existing ICT components it needs to interact with?</li> </ul>
<b>2</b>	<p><b>Respondent's organisational capacity</b></p> <ul style="list-style-type: none"> <li>• Has the respondent made available the resources promised to operate the proof-of-concept, and were these adequate to deliver the solution?</li> <li>• Was the training delivered to agency officers using the solution adequate?</li> </ul>
<b>3</b>	<p><b>Pricing</b></p> <ul style="list-style-type: none"> <li>• Has the proof-of-concept demonstrated that the costs of operating the solution will be acceptable? Or has the proof-of-concept demonstrated that the cost of a full roll-out of the solution is likely to be higher than anticipated?</li> </ul>

Communication between your agency and the respondent should be open, collaborative, and frequent. The respondent's specified personnel should be easily accessible to discuss the project. More formal meetings and discussions should be scheduled to align with key project milestones.

Feedback on the performance of the solution from end users should be collected at the most opportune times, for example at the achievement of a milestone or gate, rather than the end of the proof-of-concept. This will allow any relevant feedback to be incorporated into the next phase of the proof-of-concept, which will improve the likelihood of a positive outcome.

## 2.5 Conclusion of the proof-of-concept phase

Once the proof-of-concept has concluded, a final report should be written by the evaluation panel that assesses the performance of the concept against the agreed criteria. The exception to this would be if the proof-of-concept occurred after contract award, in which case it would be assessed according to the agreed contract conditions by relevant agency representatives.

The data collected throughout the proof-of-concept should be collated and assessed to inform what worked, what didn't and what parts of the project had to be changed or addressed. Identify any remaining issues that would pose a notable risk if the project was rolled out in full, along with possible mitigation strategies. Further insights should be captured through interviews with key stakeholders, including end users.

If more than one respondent is participating in the proof-of-concept phase, take care to be consistent in how you have assessed the performance of each respondent's solution. Inconsistency is a probity risk, and may compromise process conditions, and will make it more difficult to arrive at an informed, value-for-money decision.

If your agency determines not to proceed with a full roll-out of the solution, clearly document the reasons why and communicate this:

- to the respondent at the conclusion of the procurement process; or
- if a contract for the full solution was awarded and includes a proof-of-concept phase, after deciding not to proceed to the next phase of the contract.

If communication between your agency and the respondent during the proof-of-concept has been sufficient, none of the issues you raised should be a surprise or controversial. Consider the terms of the contract in the Request document when deciding how to proceed. For example, does your Request allow you to approach a respondent that was not a preferred respondent in the first evaluation, or will you be required to decline all offers and start the procurement process again?

If your agency wishes to implement the solution in full, final negotiations should ensure that lessons learnt from the proof-of-concept phase are appropriately incorporated into the final agreement.

If your agency has undertaken a multi-stage procurement process to conduct a proof-of-concept, consider the procurement options available if you decide to pursue a full roll-out of the solution. For example, a sole source exemption may be available to directly procure a solution from a preferred provider. However, market research must be conducted to ensure that a genuine sole source opportunity exists to ensure compliance with the WAPR. If not, you may need to release a further Request according to the relevant procurement method with more define specifications and pricing as informed by the proof-of-concept.

### **3. Contact and further questions**

Proof-of-concepts can encourage innovation and improve ICT outcomes, but may also carry additional risk and complexity that should be managed by State agencies.

For questions or further information, contact [procurementadvice@dtf.wa.gov.au](mailto:procurementadvice@dtf.wa.gov.au).