

# PROCUREMENT POLICY OFFICE

## Directive No. 52A issued pursuant to section 7(b) of the Public Procurement Act

### Dealing with Abnormally low bids

1. The purpose of this Directive is to set instructions about how to identify and deal with abnormally low bids.
2. Section 37(10A) of the Public Procurement Act 2006 provides for the following:
  - “(a) Where a public body or the Board-*
    - (i) is of the view that the price, in combination with other constituent elements of the bid, is abnormally low in relation to the subject matter of the procurement; and*
    - (ii) has concerns as to the ability of the supplier to perform the procurement contract, it may request in writing from the supplier such information as it considers necessary.*
  - (b) Where, after having taken into account any information furnished by the supplier under paragraph (a) and the information included in the bid, the public body or the Board still has concerns as to the ability of the supplier to perform the procurement contract, it may reject the bid.”*
3. Public bodies must ensure that all requirements in Section 37(10A) are followed before initiating action to retain or reject a bid.
4. The procedures to be followed to deal with abnormally low bids are hereby annexed.
5. This Directive supersedes Directive No 46 issued on 08 April 2020 and Directive No 52 is withdrawn.

Procurement Policy Office  
16 May 2023

## ANNEX

### Procedures for dealing with Abnormally Low Bids

#### A. Works Contracts

1. When any evaluated substantially responsive bid is less than the updated pre-bid estimates\* by 15% or more for any Works contract, the bid is in the Abnormally Low Bid (ALB) risk zone and is considered as a potential ALB. This percentage does not in any way mean that every bid above that percentage should straightaway be considered as being abnormally low. However, there is a ground for concern.
2. The Bid Evaluation Committee (BEC) has a responsibility to examine and compare the various subtotals or bill items of these potential ALBs against the updated pre-bid estimates using a line chart and comment thereon. The BEC should further investigate the bid price, in combination with other constituent elements of the bid such as technical solution proposed, construction methods, impact of contingencies and provisional sums on the bid prices, etc. and compare quoted bill items with the updated pre-bid estimates.
3. If, after investigating the bid price and its constituent elements, the BEC has concerns as to the ability of the bidder to perform under the contract, it may request the public body or the Board to seek in writing from the bidder such additional information as it may require.
4. Where, after having taken into account any information furnished by the bidder and the information included in the bid, the Bid Evaluation Committee still has concerns as to the ability of the bidder to perform the procurement contract, it **may** recommend rejection of the bid and proceed in a similar manner with the next lowest evaluated substantially responsive bid(s), subject to approval of the public body or the Board.

## B. Goods

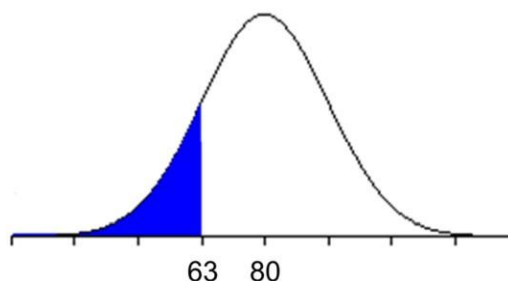
1. For Goods contracts, low prices can be a result of various consequences, including country of origin, improper market search to determine estimated price at first stance, goods meeting the specifications but have lower grade, materials or quality, surplus in the market, goods reaching end of shelf life.
2. In order to identify bids falling in the ALB risk zone, the BEC is required to calculate the average price of all the bids received and the standard deviation. The standard deviation must then be subtracted from the average price and the result obtained must be considered as the lowest normal price. Any bid price below this amount may be considered as potential ALB and if, taking into account paragraph 1 above, the public body has concerns about the ability of the bidder to fulfil the contract at that price, it must seek additional information as it may require from the lowest evaluated substantially responsive bidder concerned. If the information obtained are satisfactory, the bidder may be recommended for award of the contract.
3. If, after having taken into account any information furnished by the bidder and the information included in the bid, the public body or the Board still has concerns on the ability of the bidder to perform the contract, it may recommend rejection of the bid and proceed in a similar manner with the next lowest evaluated substantially responsive bid, subject to the approval of the public body or the Board.

The following is an example extracted from the World Bank Procurement Guidance to Abnormally Low Bids and Proposals.

*Example identification of an ALB using the 'relative' approach*

*In the example, the average of the Bid prices is \$80M. The standard deviation of the Bid*

	\$M
Bid 1	72
Bid 2	92
Bid 3	82
Bid 4	101
Bid 5	53
Average	80
Std. Dev.	17
ALT threshold	63



*prices is \$17M. So the ALB risk zone is any price below \$80M - \$17M = \$63M. In this case the Most Advantageous Bid price of \$53M is a potential ALB.*

### **C. Contracts for Consultancy Services,**

1. It is up to the BEC to determine whether any bid is a potential ALB compared to the updated pre-bid estimates by considering relevant factors such as market rates for local and foreign key personnel, accommodation, expertise in the field, etc.
2. After the analysis, if the BEC has concerns as to the ability of the lowest evaluated substantially responsive bidder to perform the contract, it may proceed as specified in A.3 and A.4 above.

### **D. Other services**

1. The first step is for the BEC to identify potential ALB by comparing the bids with the updated pre-bid cost estimates to identify items or rates that are abnormally low.
2. One component is the bidder's capacity to carry out the services with the personnel proposed and their respective salaries based on applicable legislations. Detailed price analysis of its bid price in relation to scope, schedule, allocation of risks and responsibilities, and any other requirements of the bid document may be further analyzed to determine abnormality in the bid price.
3. After the analysis, if the BEC has concerns on the ability of the bidder to perform the contract, it may proceed as specified in A.3 and A.4 above.

**Note: Updated Pre-bid estimates are the final estimates for the project, which are prepared prior to issue of the bidding document and may be updated prior to closing.**