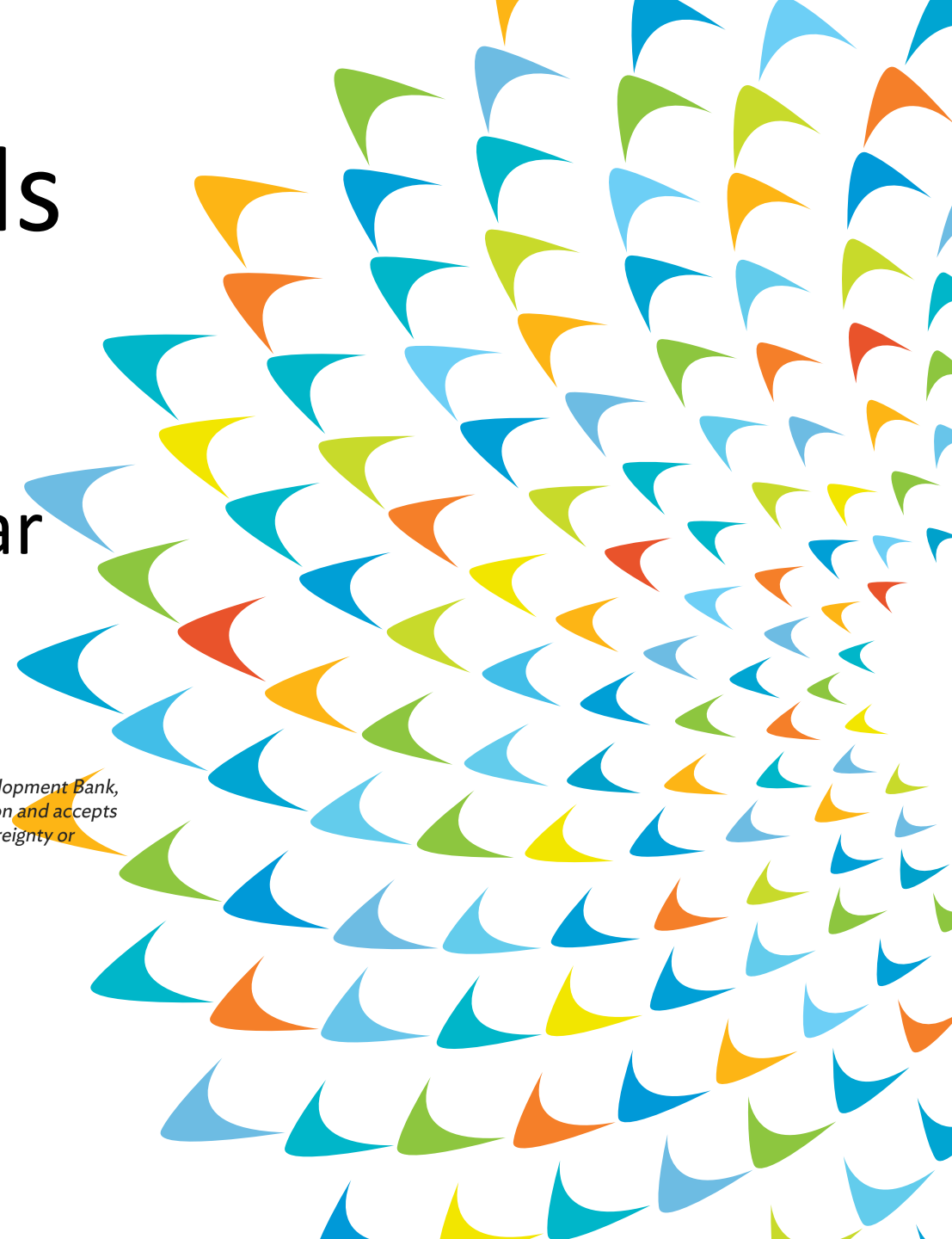


Abnormally Low Bids

for Business Opportunity Seminar in Nepal

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Taisuke Miyao
September, 2023



ADB's concern

- ADB's role in project implementation: to ensure that project purposes and expected output are achieved with the ensured quality, time, and cost
- In reality, in some projects, delay in contract implementation is seen.
- There are various reasons in delay.
- Lack of available funds in contractors may be a reason of such delay.

Nepal: The Public Procurement Regulation, 2064 (2007)

65. Special evaluation of bids of construction works:

- Where low price has been so quoted, the evaluation committee shall seek clarification along with a rate analysis from such a bidder.
- The evaluation committee may recommend the public entity for acceptance of the bid by taking from such a bidder additional performance security equivalent to an amount of eight percent of his or her quoted bid price if the clarification pursuant to sub-rule (2) is found to be satisfactory and for rejection of such a bid if the clarification is not found to be satisfactory.

ADB Procurement Regulations (2017)

Abnormally Low Bids

- 76. Any procedure under which bids above or below a predetermined assessment of bid values are automatically disqualified is not acceptable. However, an abnormally low bid may be excluded or made subject to certain conditions where the bid price appears so unreasonably low that it raises concerns with the borrower in respect of the bidder's ability to perform the contract successfully

ADB Procurement Regulations (2017)

Abnormally Low Bids

- 77. When such a bid is identified, the borrower shall seek written explanations of the proposed price or costs from the bidder, including a detailed analysis of its bid prices by reference to the scope, proposed methodology, schedule, and allocation of risks and responsibilities.

ADB Procurement Regulations (2017)

Abnormally Low Bids

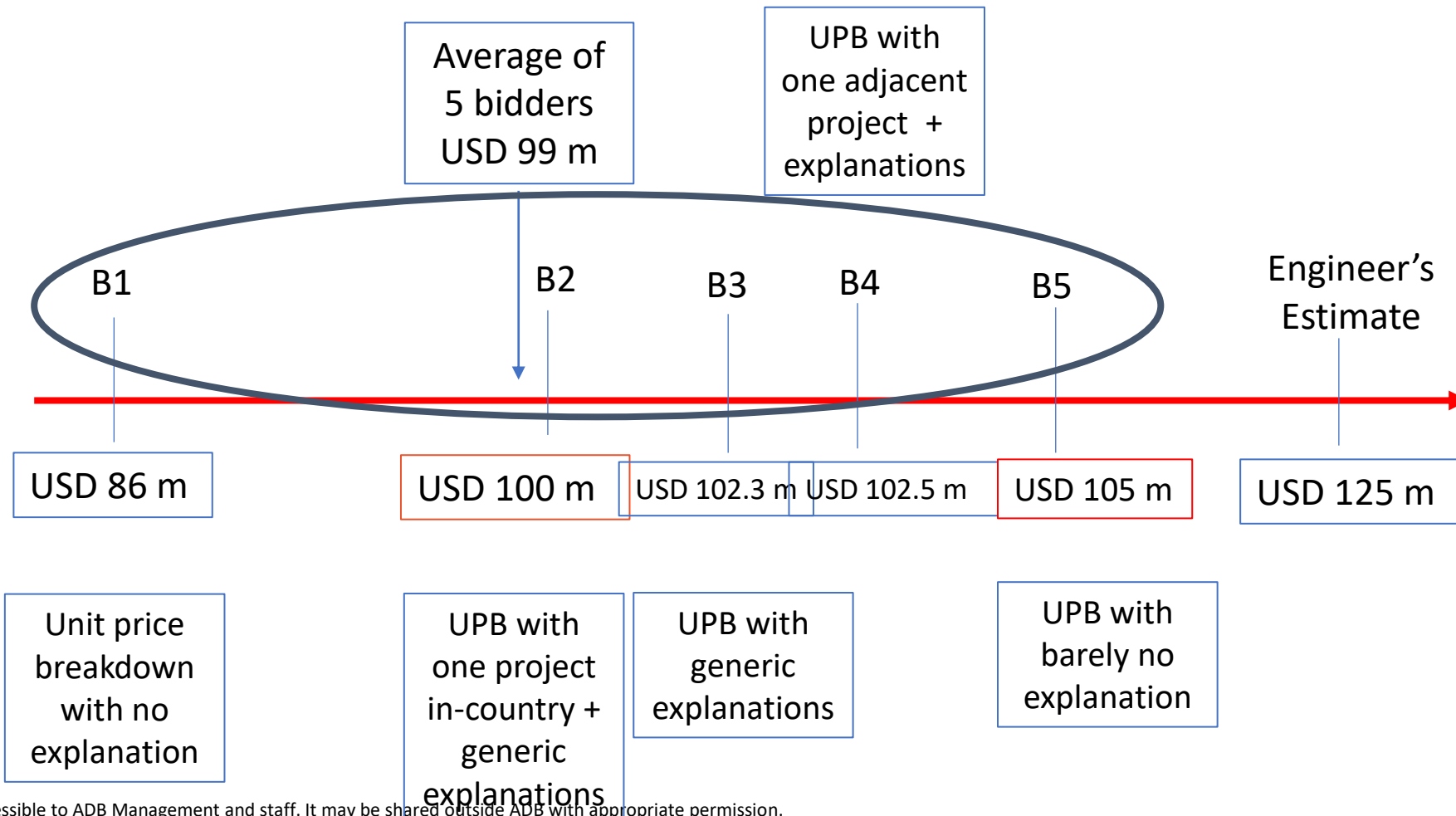
- 79. After examining the explanation given and the detailed price analyses presented by the bidder, the borrower may
 - (a) accept the bid,
 - (b) require that the amount of the performance security be increased at the expense of the bidder, or
 - (c) reject the bid where the evidence supplied does not satisfactorily account for the low level of price or costs proposed.

Factors to Consider

- Engineer's estimate
 - Market conditions
 - Special factor on bidders
-
- Be noted that “automatic exclusion of bids due to prices falling above or below a predetermined assessment of bid values” is not allowed.

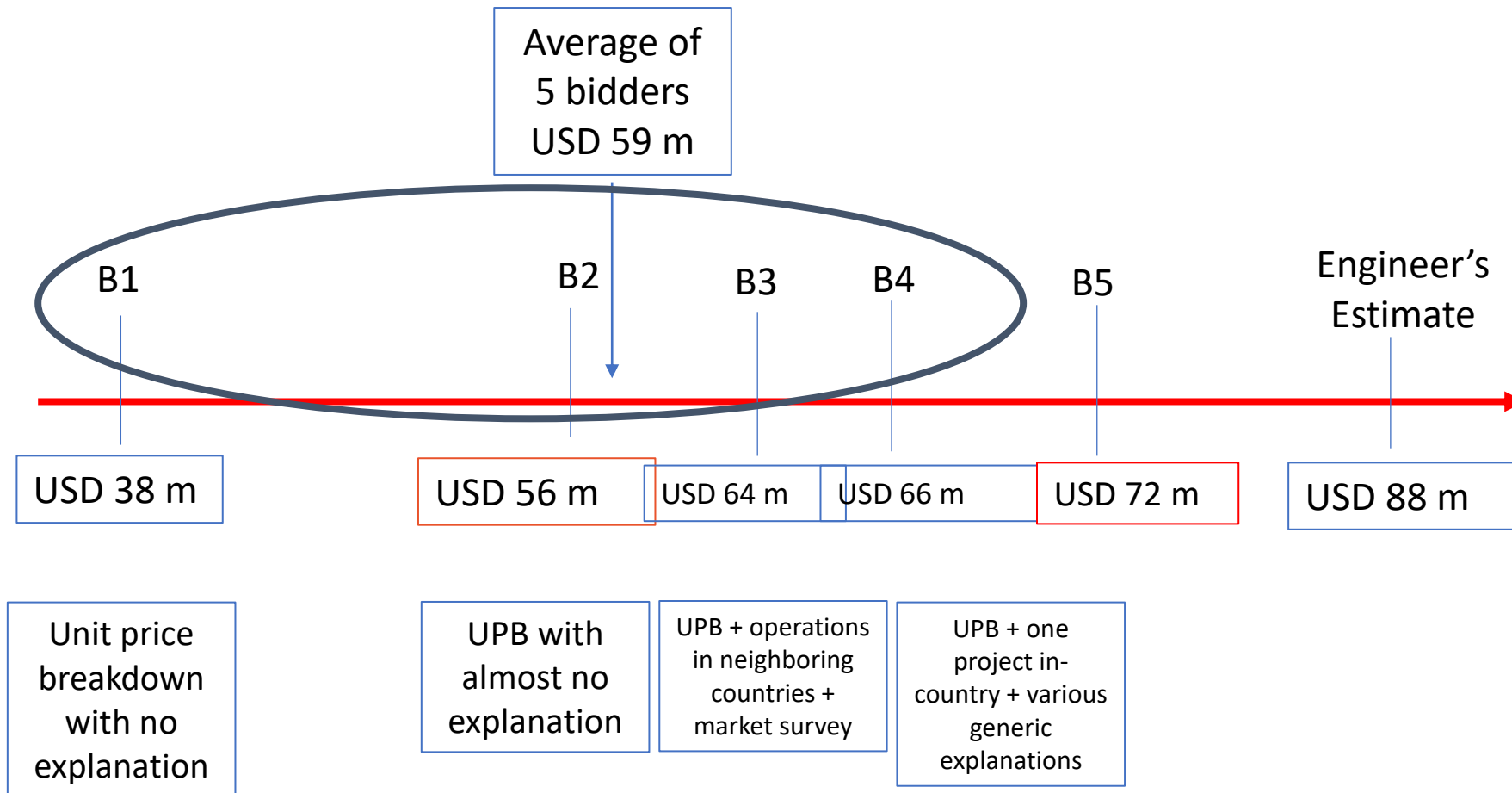
Case studies

Case 1: 87 km road project in Uzbekistan



Case studies

Case 2: 48 km road project in Uzbekistan



SASEC Mugling–Pokhara Highway Improvement Phase 1 Project

- EA: Ministry of Physical Infrastructure and Transport
- IA: Department of Roads
- Abukhaireni-Pokhara Highway Section 2 (from Km 49+700 to Km 88+583)
- Bid Submission Deadline: 1/30/2020
- No. of Bids Submitted/Technically Qualified: 10/2
- Bid Results: <1> 50.7m (\triangle 26.2%), <2> 54.1m

SASEC Roads Improvement Project

- EA: Ministry of Physical Infrastructure and Transport
- IA: Department of Roads
- Narayanghat-Butwal Road (NB-01)
- Bid Submission Deadline: 6/7/2018
- No. of Bids Submitted/Technically Qualified: 9/6
- Bid Results: <1> 84.6m (\triangle 24.1%), <2> 86.8m, <3>89.4m, <4>96.7m, <5>99.2m, <6>102.4m

ADB(NRM) Proposal: Bid Preparation Stage

- At the time of pre-bid meeting, the EA may:
 - (1) Read the relevant clause to remind bidders,
 - (2) Encourage the bidders to conduct site visit, and,
 - (3) Ensure that all the necessary cost is included in the bids.

ADB(NRM) Proposal Bid Evaluation Stage

- If price of the bidder to be recommended for award is below the engineer's estimate (EE) by more than 20%, ADB will seek the IA for further information (if such information is not included in BERs).

The IA is requested to:

<First>

1. Ensure that the bid covers all of the scope or technical specifications of the work,
2. Review the EE to demonstrate that the EE is still valid in the latest market situation and if not revise the EE to see if the bidder's price is below more than 20% or not.

ADB(NRM) Proposal Bid Evaluation Stage

<Then>

3. The IA shall compare the bidder's bids (BOQ) with other substantially response bidders' bids (BOQ) and identify any significant difference.

4. The IA seek written explanation of:

- ✓ its unit price break down, together with the assumptions taken for overheads, profit and taxes.
- ✓ its contracting arrangements (if any envisaged)
- ✓ the way the bidder plans to procure and mobilize the equipment and the source and cost of the main material inputs.
- ✓ proposed methodology, schedule, and allocation of risks and responsibilities.
- Recommended days for the submission would be 7 days.

ADB(NRM) Proposal Bid Evaluation Stage

- **During the 7 days**, the IA may gather performance record of the bidder's contracts in Nepal and other countries (*as best effort basis. ADB staff may assist this by using ADB RM network, if the bidder has recent ADB funded contracts in other countries*).
- Once the explanation is received, **within 7 days**, the IA shall:
 - ✓ review the explanation submitted by the bidder.
 - ✓ revisit the bidder's financial situation (bank account balance, availability of credit facility),
 - ✓ combine to consider all the additional information, then, make the decision.

ADB(NRM) Proposal

Bid Evaluation Stage

1) Accept the bid, if:

- ✓ explanation submitted by the bidder well convinces the low bid, which include reasons of difference with other bidders in specific BOQ items;
- ✓ no specific negative information of the bidder's performance in Nepal and other countries are obtained; and/or,
- ✓ financial situation of the bidder does not raise specific concerns.

2) Accept the bid, with additional performance security to protect IA for financial loss, if:

- ✓ the explanation satisfactorily accounts for low bid price but still have some gaps and/or concerns remain;
- ✓ negative information of the bidder's performance in Nepal and other countries are obtained; and/or,
- ✓ financial situation of the bidder indicates that the bidder satisfies minimum criteria marginally.

ADB(NRM) Proposal Bid Evaluation Stage

- The evaluation committee of the IA may seek to form a **special assessment committee** (may be composed by engineer/accountant) which will prepare the assessment report including recommendation above. (within 7-14 days).