



Guidance
Note on
Abnormally Low
Bids under Islamic
Development Bank
Financed Procurements

January 2019

This Guidance Note is intended to complement the Guidelines for Procurement of Goods and Works and related services and for the Procurement of Consultant Services under Islamic Development Bank Financing, approved by the Board of Executive Directors (BED) of the Islamic Development Bank, and published September 2018. This document may be used and reproduced for non-commercial purposes. Any commercial use, including without limitation reselling, charging to access, redistribute, or for derivative Works such as unofficial translations based on these documents is not allowed.

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Common Abbreviations and Defined Terms

Common abbreviations and defined terms that are used in these Guidelines. Defined terms are written using capital letters.

Abbreviation / term	Full terminology / definition
ALB	Abnormally Low Bid
BED	Board of Executive Directors
Beneficiary	A Beneficiary is the recipient of IsDB Project Financing. This term includes any entity involved in the implementation of an IsDB financed project on behalf of the Beneficiary.
Bid	An offer, by a Bidder, in response to a Request for Bids, to provide the required Goods, and/or Works and/or related services.
Bidder	A Firm that submits a Bid for the provision of Goods and/or Works and/or related Services
B/Q	Bill of Quantity
Consultant	A Consultant Firm or Individual Consultant that provides Consultant Services. A Consultant is independent of both the Beneficiary and IsDB.
Consultant Service(s)	Consultant Services are those intellectual services delivered by a Consultant Firm or an Individual Consultant. Consultant Services are normally of a professional, expert or advisory nature. Consultant Services are governed by these Guidelines.
Fraud and Corruption	The sanctionable practices of corruption, fraud, collusion, coercion or obstruction defined in IsDB's <i>Guidelines on Combatting Fraud and Corruption</i> and in <i>IsDB Group Anti-Corruption Guidelines on Preventing and Combating Fraud and Corruption in IsDB Group-Financed Projects</i> .
Goods	A category of procurement that includes, for example: consumables, equipment, machinery, vehicles commodities, raw materials or industrial plant. The term may also include related services, such as: transportation, insurance, installation, commissioning, training or initial maintenance.
IsDB	Islamic Development Bank
MDB	Multilateral Development Banks
Prequalification	The shortlisting process, which can be used prior to inviting Request for Bids in the procurement of Goods, Works and related services.
Procurement	The function of planning for, and sourcing Goods, Works, Non-Consulting Services, and/or Consulting Services to meet required objectives.
Procurement Documents	A generic term used in these Guidelines to cover all Procurement Documents issued by the Beneficiary. It includes:

COMMON ABBREVIATIONS AND DEFINED TERMS

Abbreviation / term	Full terminology / definition
	GPN, SPN, EOI, REOI, Prequalification document, document, RFB and RFP, including any addenda.
PPR	Project Procurement
SBDs	Standard Bidding Documents
Standard Bidding Documents	Standardised Procurement Documents issued by IsDB to be used by Beneficiaries for IsDB financed projects. These include IsDB's standard documents for, e.g.: GPN, SPN, Prequalification, LOI, RFB and RFP.
TOR	Terms of Reference
Works	A category of procurement that refers to construction, repair, rehabilitation, demolition, restoration, maintenance of civil work structures, and related services such as transportation, insurance, installation, commissioning, and training.

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Section 1 - Introduction

This Guidance Note relates to Abnormally Low Bids (ALBs). In IsDB financed procurement, this means Abnormally Low Bids that arise when procuring Goods and Works. Consulting and Non-Consulting Services are not covered by Abnormally Low Bids and should be evaluated as normal.

The purpose of this guidance is to provide a structured approach for Beneficiary's to identify, clarify, and treat ALBs during the Bid evaluation phase of the procurement cycle below.

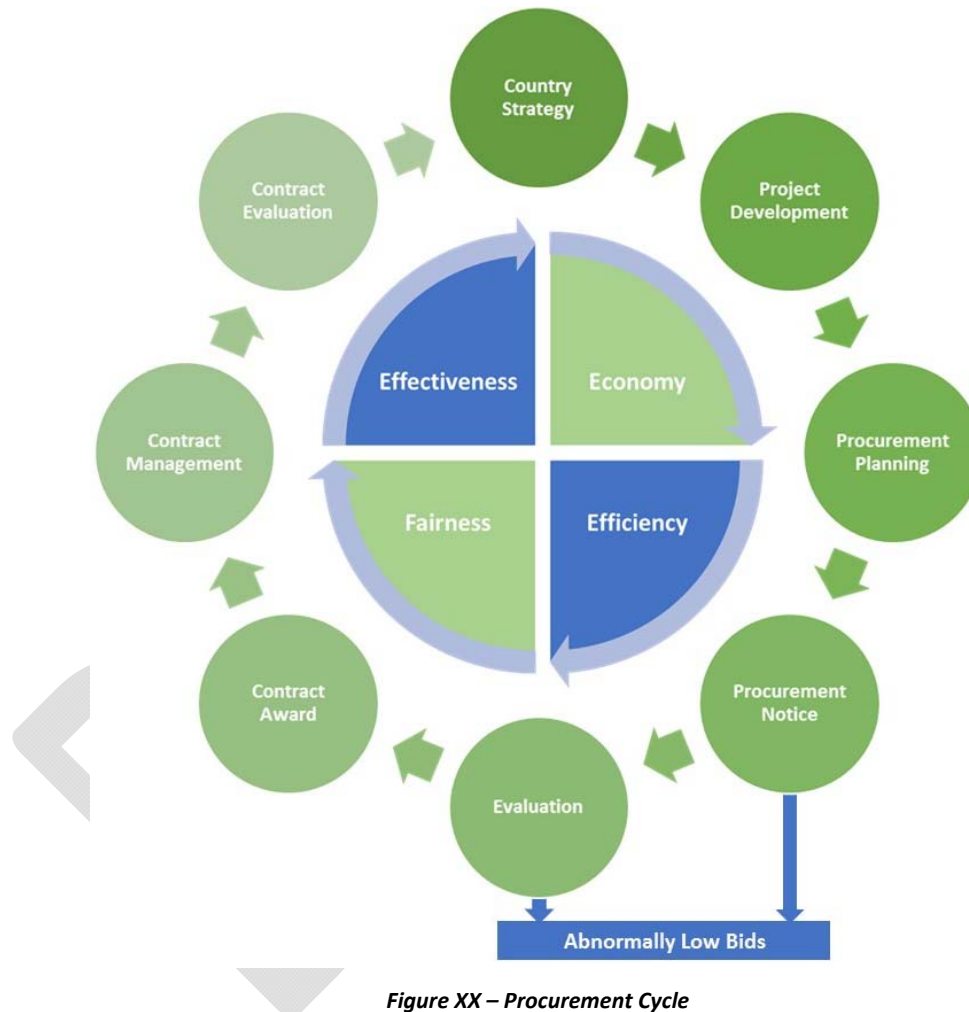


Figure XX – Procurement Cycle

The Guidelines for the procurement of Goods, Works and related services under IsDB Project Financing provide the following definition.

“An abnormally low Bid typically covers Works and is one in which the Bid price, in combination with other elements of the Bid, appears so low that it raises material concerns with the Beneficiary as to the capability of the Bidder to perform the contract for the offered price.”

Examples of how a Bid may appear Abnormally Low include:

- When it is compared with the Beneficiary's cost estimate for the contract if there is no ability to compare market prices;
- When it is compared with all other Substantially Responsive Bids;
- When it does not appear to provide a margin for profit; and
- Where the low price cannot be explained by, for example:
 - The economy of the selected constructions method, or
 - The technical solution chosen by the Bidder.

For Goods and Works the IsDB Standard Bidding Document (SBD) contain an ALB instruction to Bidders. If the Beneficiary uses a SPD with the ALB instruction they must check as part of the financial evaluation if the Bid price is Abnormally Low and make use of the ALB clauses in the SPD.

While it is expected that in all contract award decisions, the Beneficiary will undertake reasonable due diligence to ensure the Bidder can perform the contract, in the case of a suspected ALB, there is a requirement to undertake enhanced due diligence on the Bid.

While an ALB may appear to represent good value, it can result in greater overall costs, contract delays or even the collapse of a contract. In other terms, accepting ALBs has the potential to put the contract in jeopardy, as ALBs are often submitted by Firms, Suppliers or Contractors (including sub-Contractors) that may not be able to complete their work as priced or they may simply have made errors in their Bid and be unable to complete the work at the Bid price. Public authorities must then spend time and money managing a poorly performing Firm, Supplier or Contractor (including sub-Contractors), or finding a new Firm, Supplier or Contractor (including sub-Contractors) to complete the job.

Several steps can be taken to reduce the potential for an ALB and these typically constitute 'best practice'. The risk of receiving an ALB are reduced if the following have been adequately addressed:

- Adequate market research and planning conducted as part of developing the Procurement Plan and Procurement Strategy when required by IsDB;
- High quality Procurement Documentation (particularly adequate technical specifications and Terms of Reference (TOR));
- Adequately market engagement though supply days to encourage a competitive response and to ensure clarity of the requirements;
- Sufficient period for the preparation of Bids;
- Adequate and timely responses to clarification requests by the Beneficiary;
- Prequalification used, when appropriate;
- Qualification criteria are adequate and appropriate; and

- Beneficiary maintains an updated prices data base and prepares a realistic cost estimate.

Even if all the above have been satisfactorily addressed and/or considered, there remains a possibility that a Bidder may, intentionally or inadvertently, submit an ALB.

The process of establishing whether a Bidder is capable to perform a contract within its total evaluated Bid price can be highly complex and subjective, particularly for design and build type contracts, and in instances where IsDB Beneficiaries do not have the necessary in-house capability and expertise. In these cases, the Beneficiaries may require the input of independent Consultants with technical knowledge and experience relevant to the specification and project.

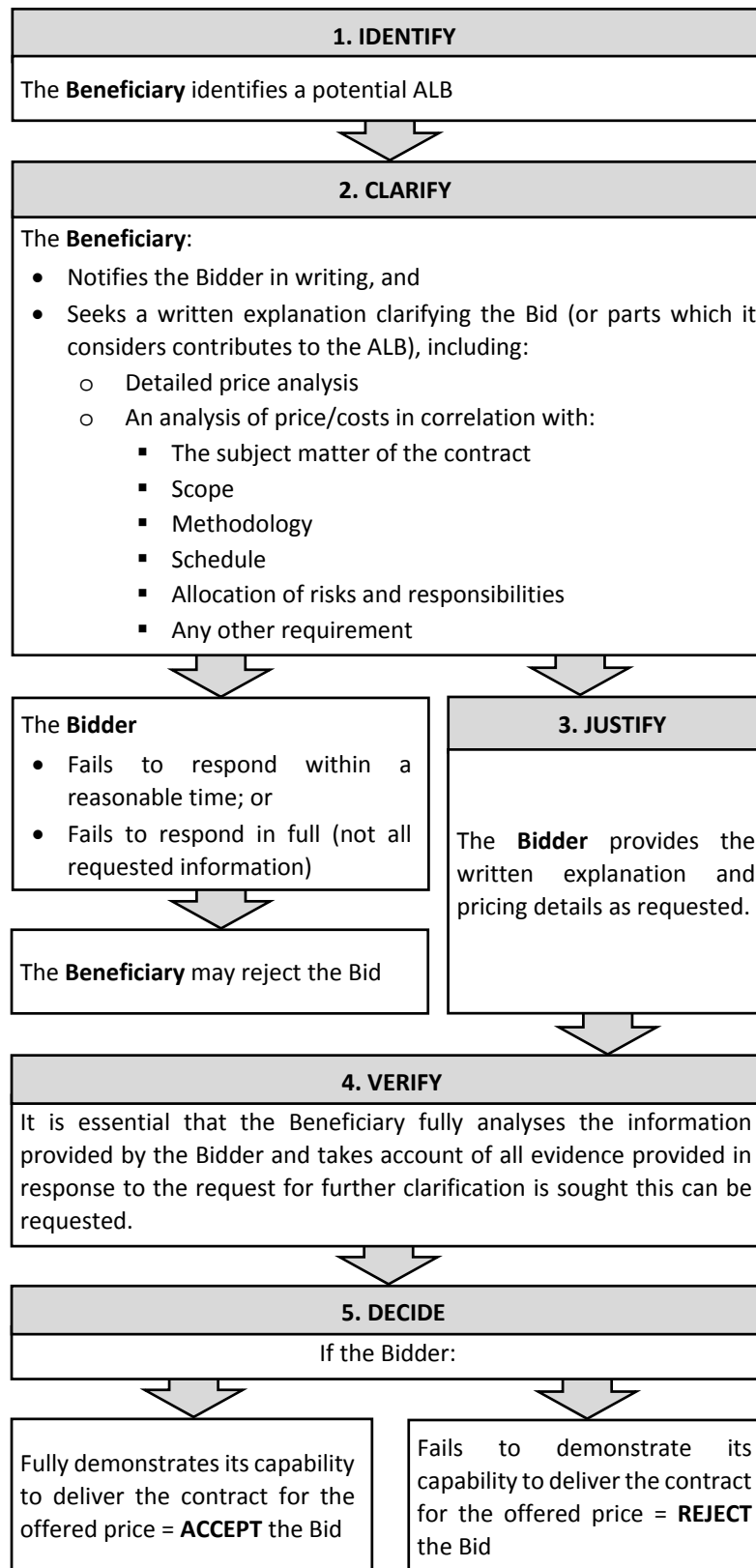
If the Bidder is unable to show they can complete the contract for the Bid price, then subject to IsDB's Prior Review, the Bid must be rejected. Bidders whose Bids are rejected due to an ALB will not forfeit their Bid security due to their low Bid.

There are five steps to the treatment of an ALB:

- **Identify:** The Beneficiary identifies a potential ALB based on comparison with available prices from the market, or with the cost estimate.
- **Clarify:** The Beneficiary seeks clarification from the Bidder.
- **Justify:** The Bidder prepares a justification of their price based on the request from the Beneficiary.
- **Verify:** The Beneficiary fully analyses the Bidders justification to verify if it is in fact an ALB.
- **Decide:** The Beneficiary fully documents the decision to accept or reject the Bid with IsDB's no-objection.

The issue of ALBs has increasingly become a major issue for the Multilateral Development Banks (MDBs) and many public-sector entities. This methodology on the identification and treatment of ALBs was developed in conjunction with other MDB's and provides Beneficiary's with a structured approach to address the issue of ALBs that will better enable them to obtain value for money through projects under IsDB Project Financing.

1.1 Flowchart of ALB process:



Section 2 -Identify

When the evaluation of Bids has been completed and the Most Advantageous Bid has been identified, if the ALB provision is enabled in the SPDs then the Beneficiary must check if the Bid price is unreasonably low.

In all cases the identification of an ALB should be undertaken on the evaluated Bid prices of Substantially Responsive Bids only and there are two approaches, 'absolute' and 'relative' approach to identifying a potential ALB depending on the number of Bids received.

Absolute Approach

Where fewer than five (5) Substantially Responsive Bids have been received, the 'absolute' approach identifies an ALB based on a comparison of the evaluated Bid price, and its constituent parts, with the Beneficiary's own cost estimate. If the Bid price is 20% or more below the Beneficiary's cost estimate when fewer than five Substantially Responsive Bids are received, then the Beneficiary should clarify the Bid price with the Bidder to determine whether the Bid is Abnormally Low.

The identification of an ALB using a mathematical calculation assumes that the Bid prices are competitive and independent. That is, that there is not collusion in the market that is artificially keeping prices clustered.

The Beneficiary and IsDB should also have considered during the preparation of the project whether the market sector they are approaching has a history of collusion and/or a history of ALBs. If there is a history of collusion or ALBs in the market, then extra care should be taken to identify an ALB even if the low Bid price does not fall within the mathematical ALB risk zone.

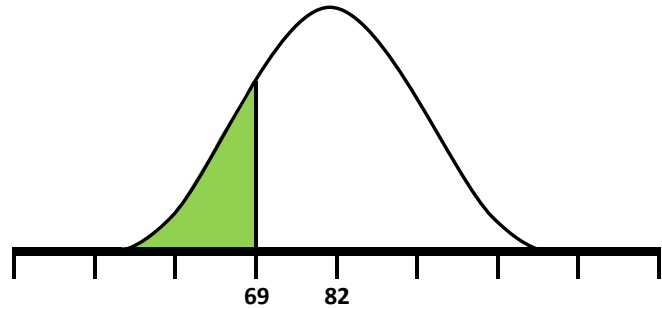
Relative Approach

The 'relative' approach uses a statistical calculation using at least five Substantially Responsive prices. A potential ALB is identified when the low Bid is more than one standard deviation below the average of the Substantially Responsive Bids received.

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

In the following example, the average of the Bid prices is USD 82M. The standard deviation of the Bid prices is USD 16M. Therefore, the ALB risk zone is any price below $USD\ 82M - USD\ 16M = USD\ 69M$. In this case the Most Advantageous Bid price of USD 61M is a potential ALB.

	USD M
Bid One	61
Bid Two	109
Bid Three	85
Bid Four	95
Bid Five	76
Average	82
Standard Deviation	16
ALB Threshold	69



Whichever approach is applied to identify a potential ALB, Beneficiary's shall not accept or agree to the automatic rejection of a Bid suspected to be an ALB without the Beneficiary first clarifying the basis for the suspected ALB with the Bidder.

If a potential ALB is identified the Beneficiary shall undertake a preliminary assessment of the Bid to identify any parts that may have been grossly underestimated. Based on the findings from the preliminary assessment the Beneficiary must request clarification from the Bidder on the elements that appear Abnormally Low.

Following the identification step and a preliminary assessment, if an ALB has been identified in the evaluation process, the evaluation report submitted to IsDB must contain full details of the 'absolute' or 'relative' basis upon which an ALB has been identified.

Section 3 - Clarify

Once a potential ALB has been identified by the Beneficiary, and if the Beneficiary proposes to recommend award of the contract to that Bidder, the Beneficiary is mandated to establish the capability of the Bidder to perform the contract within its total evaluated price. A Beneficiary must not automatically reject a potential ALB before completing all the five stages unless the Bidder does not provide the requested clarification in a timely manner and the Bid is rejected on that basis.

3.1 Preliminary assessment

Competitive prices generally should not deviate substantially, however, price variations should be expected for elements designed by contractors or when alternative technical solutions are offered. Cost of materials generally have minimal divergence between Bidders, however there may be circumstances where a Bidder has an advantage due to locally available resource or reduced cartage costs because of materials and equipment within proximity of the project.

The preliminary assessment should look to identify issues such as;

- Has the Bidder omitted to price some items and was this intentional or accidental?
- Are some items priced significantly lower by the Bidder than estimated by the Beneficiary, and if so, is this an arithmetical error?
- Are certain items/types of items consistently under-priced (e.g. cost per meter of laying concrete) and is it clear why this is the case?

The following provides details of a sample procedure that could be applied to Goods and Works contracts of an average complexity, and particularly where a detailed design and Bill of Quantity (B/Q) exists. For more complex Works contracts, for example those requiring a substantial level of innovation from Bidders, a more appropriate procedure may need to be developed with the support and assistance of suitably qualified Consultants (if applicable, due consideration to this aspect should be considered during the project planning stage to ensure that the 'Terms of Reference' for any implementation Consultant(s) includes an appropriate provision at the outset of the project).

3.2 Preliminary assessment Step 1 - Evaluation of estimate of resource inputs

Firms, Suppliers, Contractors (including sub-Contractors) may perform identical contracts using differing volumes, sequencing, timing, and combination of resource inputs, such as construction equipment, staff, labour and materials.

For example, a Bidder may choose topsoil removal Works to be executed using self-propelled scrapers. If successful, the Bidder should be able to execute several construction activities using the selected equipment and construction method and ultimately perform the Works faster, with less support equipment, fewer operators and lower operating costs compared to other construction methods.

Consequently, the selected construction method should have direct impact on the prospective cost of the Works to the Bidder and consequently its Bid price. However, if the Bidder misjudged the specific circumstances of the project location e.g. availability of the equipment, transportation distances to the designated dumping sites, concentration of rocks in the topsoil, etc., the Bidder may not be able to follow the selected construction method. If awarded the contract, they would suffer substantial cost overruns during the execution of the Works because of having to modify or substitute the selected construction method and cover the cost of additional support or new equipment, operating costs, etc.

If the Beneficiary determines that the preliminary work program submitted by the lowest price Bidder for any part or all the Works is not realistic, the Beneficiary shall evaluate whether the Bidder will be capable to modify or substitute the proposed construction methods therein within the total Bid price whilst remaining consistent with the mandatory requirements of the contract. It should be noted that the Bidder shall not be allowed or asked to change their Bid during evaluation or as a condition of award only if the preliminary work program accompanies, but does not form a part of, the Bid.

3.3 Preliminary assessment Step 2 – Evaluation of subtotals quoted for various parts of contract by other Bidders

All Bidders will have individually determined the price of the various parts of the contract. Therefore, providing that the preliminary work programs adopted by the Bidders are comparable, the average subtotals quoted by the Bidders for various parts of the contract should be representative of the actual price. This provides a benchmark for assessing the subtotals quoted by the lowest price Bidder.

The most accurate way to compare the various subtotals is using a line chart of subtotals quoted for various parts of the contract by the other Bidders. Except for subtotals quoted by the lowest price Bid, the Beneficiary first enters all subtotals quoted by other Bidders for various parts of the contract into a combined line chart.

The Beneficiary's estimated subtotals for the respective parts of the contract should also be inserted into the line chart. The Beneficiary should compare all subtotals for each part of the contract and note the nature of any inconsistencies with the view to determining the average subtotals for each part of the contract.

Once the Beneficiary has determined the average subtotals for each part of the contract these are then compared with the respective subtotals quoted by the lowest price Bidder.

If all the subtotals quoted by the lowest price Bidder are below the average subtotals by the same percentage, then the lowest price Bidder may have grossly underestimated its overhead expenses and/or chosen to incorporate an exceptionally low profit margin and contingencies in its rates. In such instances, the Beneficiary's further evaluation should concentrate on the breakdown of the overhead expenses and clarification of the basis for determining its profit margin and contingencies.

If the shortfall is between the average subtotal and the subtotal quoted by the lowest price Bidder for a certain part of the contract, the Beneficiary's further evaluation should focus on detailed price analyses and assessment for that element of the Bid.

3.4 Request for Clarification

Requests to Bidders to produce and submit a detailed price analyses must be carried out in accordance with the clarification procedure contained in the relevant Procurement Document.

The clarification request for detailed price analyses should focus on the issues that have been identified during the preliminary evaluation and should clearly state the basis on which the Beneficiary determined that the price may be excessively low. The contents of the Beneficiary's clarification request to the Bidder should require them to provide a focused response to the Beneficiary. The Beneficiary should also stipulate how the information is to be provided and may include forms and templates. A sample 'Form for Analysis of Unit Rates' that may be used for this purpose is attached at Annex II.

Beneficiaries shall ensure that Bidders are provided with a sufficient period within which to provide any requested clarifications and/or detailed price analyses. Under normal circumstances and depending on the volume/complexity of the information to be provided by a Bidder, a period of no less than five (5) to ten (10) business days shall generally be considered a reasonable period.

The information that is typically requested in a price analysis may comprise the following basic cost components:

<p>Bid Price Breakdown = Cost of Goods/Works (equipment, materials and labour) + Overhead Expenses + Contingency + Profit</p>
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3.5 Clarification of resource inputs and pricing

If the Beneficiary determines that the Bidders estimate of a resource input associated with part of their Bid may not be realistic or is substantially below the Beneficiary's respective estimate, the Beneficiary shall request the Bidder to clarify to the Beneficiary's satisfaction the basis on which the Bidder has:

- Estimated the respective resource input; or
- Determined that the underlying arrangements can be modified or substituted within its total Bid price.

If the Beneficiary determines that the Bidders estimate of the cost of a resource input may not be realistic or is substantially below the Beneficiary's respective assumption, the Beneficiary shall request the Bidder to submit appropriate evidence that would substantiate its pricing of the respective resource input including, as may be necessary, further detailed price analyses in respect of the resource input questioned by the Beneficiary.

3.6 Clarification to be provided by Bidders' sub-contractors.

A Firm, Supplier or Contractor shall be responsible for the acts or defaults of any sub-contractor, his agents, or employees, as if they were the acts or defaults of the Firm, Supplier or Contractor. Therefore, the Bidder will satisfy itself that its proposed sub-contractor would be fully capable of undertaking the part of the contract that the Bidder chooses to sub-contract.

Therefore, if a Bidder proposes a nominated sub-contractor for the performance of any part of the contract, the Beneficiary shall require that the Bidder demonstrates the capability of its sub-contractor to perform the contract as if these were to be performed by themselves.

Equally if the clarification response from the Bidder contains a justification that relates to the price of a sub-contractor, the Beneficiary may request details of that price if it is materially low.

3.7 Clarification of the Bidder's Overhead expenses.

Overhead components of a Bid are often a source of variation in pricing and depend on, for example:

- Organizational and project management arrangements (on and off-site);
- Cost of machinery and labour; and
- Profit margin allowed by the Bidder for the contract.

The basis on which overhead expenses are factored into a Bid price can be substantially different between Bidders and may therefore fluctuate substantially. The Beneficiary may therefore require that Bidders provide detailed information about their overhead expenses during the Bid evaluation, if required.

Section 4 - Justify

The time allowed for the preparation and submission of the justification by the Bidder shall be determined with due considerations to the circumstances of the Goods and Works and the magnitude and complexity of the procurement. Beneficiaries should normally ensure that Bidders are provided with a period of no less than five (5) to ten (10) business days.

The Bidders justification should include all information requested by the Beneficiary and any documentary evidence that the Bidder used for determining its Bid price.

If the Bidder fails to provide the requested information within the period stated in the Procurement Documents or fails to provide all the information requested the Beneficiary may reject the Bid at this point. Equally, no Bidder shall be permitted by a client to withdraw its Bid or add any cost element when providing clarification (without the forfeiture of its Bid security), during the validity period.

The explanation provided by the Bidder may relate to:

- The economics of the manufacturing process, of the services provided or of the construction method;
- The technical solutions chosen or any exceptionally favourable conditions available to the Bidder for the Works;
- The originality of the work by the Bidder;
- Compliance with applicable standards and obligations referred to in the Procurement Documents; and
- Items above, where the Works are to be provided by a sub-contractor.

The Bidders justification may include its estimate of labour requirements; sources and volume of materials, construction plant and equipment, transportation distances, etc. required for the performance of the part of the requirements for which the Beneficiary requires clarification.

The Bidders clarification may also include a description of the nature of the Bidders access to the proposed construction equipment e.g. hire, lease, purchase agreement, etc. and any documentary evidence that the tenderer utilized for determining its tender price during the tendering period.

Section 5 - Verify

On receiving the Bidders justification, it is essential that the Beneficiary's suitably qualified personnel fully analyses the information provided by the Bidder and takes account of all evidence provided in response to the request for clarification.

The Beneficiary's evaluation of the ability of a Bidder to undertake the contract at the price quoted in its Bid should focus on the price analyses of any or all the items of the Works to be performed by the Bidder or their sub-contractors, in combination with other elements of the Bid and their consistency with the Bidders estimate of the resource inputs required. The Beneficiary may also evaluate a Bidders previous satisfactory performance and contract implementation at similar prices.

If further clarification is required from the Bidder, this may be requested following the process outlined above.

For several reasons, a Bid price which is below the Beneficiary's cost estimate may not be considered Abnormally Low. For example:

- A Bidders mobilization costs could be significantly lower if the Bidders already has an on-going construction contract underway near the proposed project site, and could also benefit from economies of scale (for example, when procuring materials);
- A Bidders may be keen to enter a new market (e.g. in terms of country of operation and/or type of work) and takes the conscious strategic position to Bid low, using a project as a 'loss leader';
- A Bidder could have proposed a much more efficient or innovative method of working than other Bidders;
- A Bidders may be attempting to break into a collusive market (in such cases, the "market" prices may be artificially inflated and therefore the Beneficiary's estimate could make a competitive Bid look Abnormally Low by comparison; or
- A Bidder may have received a state subsidy.

Following verification of the Bidders price analyses and detailed justifications provided by the Bidder, the Beneficiary shall determine if the Bid price, in combination with other elements is unreasonably low, to the extent that the Bidder has not demonstrated the capability to perform the contract successfully for the price submitted. If the Beneficiary is not satisfied, and subject to IsDB's no objection then the Bid must be rejected.

Section 6 - Decide

After examining the explanation given and the detailed price analyses presented by the Bidder, the Beneficiary has three options. The decision to be taken will depend on whether the explanations provided, or the Beneficiary's assessment of those explanations, demonstrate the ability of the Bidder to complete the contract as specified for the Bid price without compromising quality or diminishing the required output.

The Beneficiary has three options:

- Accept the Bid, if the evidence supplied does satisfactorily account for the low level of prices and costs, in which case the Bid is not considered abnormally low;
- Accept the Bid but require that the amount of the performance security be increased at the expense of the Bidder to a level sufficient to protect the Beneficiary against financial loss in the event of default of the successful Bidder under the contract. The amount of the performance security (including such increase) shall generally not be more than 20% of the contract price; or
- Reject the Bid, if the evidence supplied does not satisfactorily account for the low price or costs proposed.

If a Bid is rejected or if the Bidder fails to provide an increased performance security, the Beneficiary should make a similar determination for the next-ranked Bid. The Beneficiary may award the contract to the next-ranked Bidder, provided that the Bid is not determined to be similarly abnormally low. Should it be the case, the same treatment should be applied.

Section 7 - Reporting

The Bid evaluation report submitted to IsDB for no objection shall include full details of the basis upon which the Beneficiary's decision has been made, and shall include the following information:

- The value of the Bidders estimates of the resource items and respective pricing which the Beneficiary determined to be unrealistic or substantially below the level required for satisfactory performance of the contract;
- The value of the Beneficiary's estimates and assumptions in relation to the resource items and respective pricing required for satisfactory performance of the contract, or an explanation as to why the Beneficiary's cost estimate was disregarded, as appropriate;
- The value of the shortfall identified in the Bidders Bid;
- The recommended decision to accept or reject the Bid based on the 'Detailed Evaluation of the Bidders Price Analyses'; and
- Copies of all clarification exchanges between the client and the Bidder including details of any objection that the Bidder may have highlighted during the clarification exchange process and the basis on which the Beneficiary rejected the Bidders objections.

The Bid evaluation report shall also include details of any objection that the Bidder may have highlighted regarding the Beneficiary's estimates and assumptions in relation to the resource items and their respective pricing and appropriate justification of the grounds on which the Beneficiary has rejected the Bidders objections. The Beneficiary's recommendation shall be included in the Bid evaluation report.

Due diligence on the potential ALB price shall be undertaken before submitting the Bid evaluation report to IsDB for no objection for contracts subject to prior review.

Beneficiary's should be aware that, for contracts subject to prior review procedures, as a part of IsDB's fiduciary oversight, the recommendation for acceptance or rejection of the Bid will be subject to IsDB's no objection.

Annex I. Example identification of an ALB

Example 1 – Identification using the ‘relative’ approach

Cost Estimate: USD 3,738,140,000

Number of Substantially Responsive Bids: 16

BID 1	BID 2	BID 3	BID 4	BID 5	BID 6	BID 7	BID 8
2,145,678	2,378,928	2,396,545	2,416,894	2,456,892	2,478,239	2,495,820	2,534,912
BID 9	BID 10	BID 11	BID 12	BID 13	BID 14	BID 15	BID 16
2,643,874	2,685,601	2,856,392	2,932,681	2,995,678	3,063,862	3,163,876	3,248,147

Based on the data:

Average Bid price (\bar{x}) = USD 2,680,876 and

Standard deviation (σ) = USD 313,388

The ALB risk level is defined as the value equal to $\bar{x} - \sigma$

In this example, the ALB limit is equal to USD 2,367,487. Hence, all Substantially Responsive Bids with the quoted Bid price (the lowest two (2) Bids) below this level are in the ALB risk zone.

The preferred lowest Substantially Responsive Bid is USD 2,145,678 (Bid 1) and should therefore be verified in respect of adequacy of their price.

Example 2 – Identification using the ‘absolute’ approach

Cost estimate: \$260,103,829

Number of Substantially Responsive Bids: 4

BID 1	BID 2	BID 3	BID 4
195,465,833	223,194,452	272,189,538	279,863,927

In this example, since there are fewer than 5 Bids, the absolute approach should be used. Since the preferred lowest Substantially Responsive Bid of \$195,465,833 (Bid 1) is greater than 20% below the cost estimate it should be treated as a potential ALB.

The comparison of the Bid validity should consider the breakdown of the Bid price relative to the other Bids and to the cost estimate to determine where the Bid is low and therefore whether the Bidder can deliver the contract for the Bid price.



For any additional information, such as Standard Bidding Documents (SBDs), Guidance, training materials and briefing, please see

www.isdb.org/procurement

