European Bank
for Reconstruction and Development

Assessment of Abnormally Low Proposals

Guidance note

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1. Purpose

This document provides guidance on the interpretation of the Bank's approach in relation to the assessment of abnormally low Proposals for Works, Services and Consultancy Services procured under Section III, Article 3 PPR.

2. Definitions

Terms used in this Guidance have the following meanings.

ALP	means Abnormally Low Proposal as defined in Section 2 of this Guidance.
Bank-financed Contract	means any contract that is financed in whole or in part from Bank Resources.
Bank Operation	means any activity or project which the Bank is considering to finance or has financed or committed to finance, directly or indirectly, in whole or in part, from Bank Resources.
Consultancy Services	means advisory or similar services whereby individuals and/or an entity provides expertise or capability required to achieve the goals of a Bank Operation.
Goods	means tangible products capable of delivery
Participant	means an entity, individual or JVCA that has submitted, or is in the process of submitting, a Proposal.
PPR	means the Bank's Procurement Policies and Rules as amended from time to time.
Proposal	means a tender, a proposal, an offer or quotation submitted by a Participant in a process for a Bank Operation.
Services	means services, other than Consultancy Services.
SPDs	means the Bank's Standard Procurement Documents.
Works	means building, civil engineering, or construction works.

Terms not defined in this Guidance have the same meaning as set out in the PPR.

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3. Scope

3. Scope

3.1. Introduction

The SPDs for Goods, Works, Services and Consultancy Services, contain provisions in Section III: Evaluation Methodology which, under certain circumstances, permit Clients to reject an ALP following a comprehensive clarification and examination process. The provisions are consistent with Section III, Article 3.55 PPR which states *"The Client shall ensure that the Participant, who submitted the most economically advantageous Proposal, has the capability to perform the contract for the offered price. If during the evaluation process, the price of a Proposal for the provision of Goods, Works, Services or Consultancy Services is considered to be abnormally low and the Participant subsequently is unable to, through a clarification process, demonstrate to the Client its capability to perform the contract for the offered price, the Proposal may be rejected, subject to prior no-objection by the Bank".*

The Bank recognises that the grounds upon which an ALP may be rejected can be highly contentious and controversial. As such, any decision to reject a Proposal on this basis must be supported by robust documentary evidence and be able to withstand scrutiny. To assist Clients in this regard, the Bank has produced this Guidance with the intention of clarifying the process that Clients shall follow during the Proposal evaluation process prior to determining whether an ALP shall be accepted or rejected.

This document is predominantly designed to provide guidance in relation to the assessment of ALPs for Works contracts. However, the Bank considers that the key principles of the assessment and clarification process for Works contracts can, in appropriate instances, also be applied in the assessment of potential ALPs for Services and Consultancy Services as well as Goods contracts (please refer to Sections 5 and 6 respectively for further details).

3.2. Definition of an ALP

It is generally accepted that it is very difficult, if not impossible, to provide a comprehensive definition of an ALP that captures all possible scenarios. For the purposes of this Guidance, the Bank considers an ALP to be a Proposal submission where the Proposal price[1], in combination with other constituent elements of the submission, appears to be abnormally low in relation to the subject matter of the Bank-financed contract to the extent that the Proposal price raises material concerns with the Client as to the capability of the Participant to perform the contract for the offered Proposal price.

3.3. Identification of an ALP

In view of the general difficulty in establishing a common definition of an ALP, the first essential step in the Proposal evaluation process is to identify if the Proposal offering the lowest evaluated price may be an ALP

1 Proposal price refers to the read-out price as adjusted by (i) correcting arithmetical errors; (ii) deducting provisional sums, contingencies, day-works as applicable; (iii) applying the discounts offered, if any; (iv) adding the cost of quantifiable non-material nonconformities; and converted, if applicable, into the common evaluation currency.

and therefore requires further in-depth review and clarification. Typically, there are two approaches that may be followed in this regard, the 'absolute' approach and the 'relative' approach.

The 'absolute' approach generally entails the identification of an ALP based on a comparison of a Proposal price, and its constituent parts, with the Client's cost estimate for the Works as established prior to the commencement of the procurement process, whilst the 'relative' approach provides for the identification of an ALP based on a comparison of a Proposal price with the average Proposal price submitted by other Participants (whilst disregarding the Client's own cost estimates) and taking into account the statistical deviation from the average using the rules of normal distribution in statistical analysis. From this perspective, the ALP risk zone represents the range of Proposal prices, which are lower than the average Proposal price with the standard deviation deducted. In this regard, the Bank has developed a mathematical formula for the purposes of attempting to identify Proposals which fall into the ALP 'risk zone' which shall be used when the 'relative' approach is to be applied.

$ALP = \bar{P} - \sigma, where$

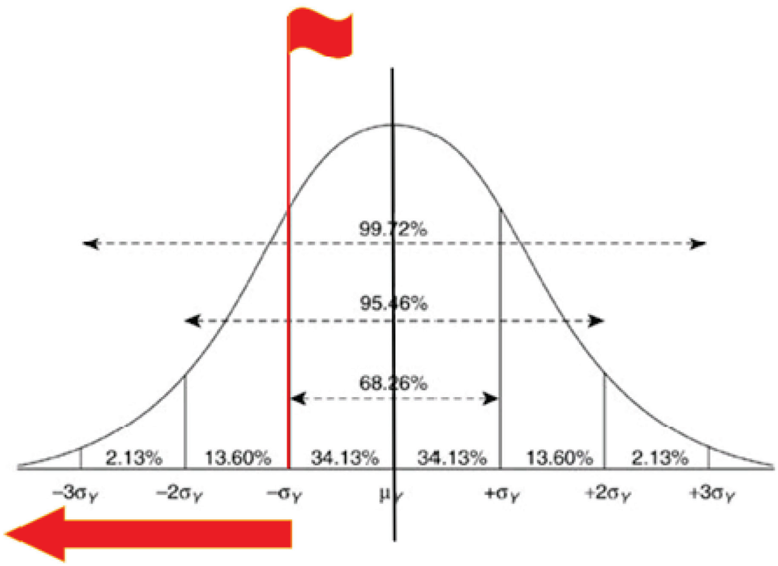
$\bar{P} = \frac{\sum_{i=1}^{N} P_i}{N}\ where$

$\bar{P}$ is the average price of proposals
P_i is a proposal price
N is the number of proposals

and

$\sigma = \sqrt{\frac{\sum_{i=1}^{N}(P_i - \bar{P})^2}{N}}, where$

σ is the standard deviation
P_i is a proposal price
$\bar{P}$ is the average price of proposals
N is the number of proposals



The formula may be used in MS Excel, or similar applications, by entering the array of data (say A1…AN), the mean can be calculated by using the following function AVERAGE(A1:AN), and the standard deviation by using the formula STDEV.P(A1:AN). Thus, the formula for calculation of the ALP risk zone threshold is: AVERAGE(A1:AN)-STDEV.P(A1:AN).

Whilst the 'absolute' approach can theoretically be applied in any given situation (on the assumption that a reliable cost estimate exists), the 'relative' approach can only be considered reliable in a situation where a reasonable number of Proposals have been submitted.

As a general rule, in situations where fewer than five (5) Proposals have been submitted, the Bank advocates the use of the 'absolute' approach as a basis to identify ALPs. In situations where five (5) or more Proposals have been submitted, the Bank advocates the use of the 'relative' approach which provides sound results. Nevertheless, it is considered that the 'relative' approach, albeit with potentially less reliable results, may be used even if the number of Proposals is as low as three (3).

The Bank acknowledges that in specific cases a Client may have other reasons to believe that a Proposal is an ALP or have valid concerns in borderline cases. In such instances, the Client is expected to undertake an ALP assessment in accordance with the procedures as set out in this Guidance.

Unless an alternative approach has been no-objected by the Bank, following the 'relative approach', any Proposal that falls into the ALP risk zone (and is therefore potentially an ALP), and which is subsequently proposed for contract award, must be subjected to the ALP evaluation and clarification process elaborated in Section 4 of this Guidance prior to the submission of a contract award recommendation to the Bank. If fewer than 5 (five) Proposals are submitted all Proposals shall be considered in the ALP risk zone and the Proposal which is subsequently proposed for contract award must be subjected to the below described evaluation and clarification Process.

If an ALP has been identified in the Proposal evaluation process, the Proposal evaluation report shall contain full details of the 'absolute' or 'relative' basis upon which an ALP or ALPs has or have been identified.

Notwithstanding whether an 'absolute' or a 'relative' approach is applied to identify a potential ALP, Clients shall be aware that the Bank will not, under any circumstances whatsoever, accept or agree to the automatic rejection of a Proposal suspected to be an ALP where no attempt to clarify the basis for the suspected ALP has been made by the Client. Equally, no Participant shall be permitted by a Client to withdraw its Proposal (without the forfeiture of its Proposal security) during the Proposal validity period purely based on its own determination that its Proposal is an ALP (for example, based on a comparison of its own Proposal price with the read-out prices of the other Participants).

3.4. ALP Evaluation and Clarification Process

Following a determination by a Client that a Participant has submitted a Proposal that is potentially an ALP, in the event that a Client subsequently proposes to recommend award of contract to that Participant, the Client has a mandatory requirement to establish the capability of the Participant to perform the contract within its total Proposal price, before submitting the Proposal evaluation report to the Bank for no-objection (for contracts subject to prior review), or, finalising the Proposal evaluation process and awarding the contract (for contracts subject to post review).

The process of establishing whether a Participant is capable to perform a contract within its total Proposal price can be highly complex and subjective, particularly for design-build type contracts. In instances where Clients do not have the necessary in-house capability and expertise, Clients may require the input of independent consultants with substantial knowledge and experience in the relevant sector. Nevertheless, the Bank will be unable to provide its no-objection to a Proposal to reject a Proposal on the basis that it is an ALP until such time as it is satisfied that the Client has undertaken the necessary analysis and due diligence as detailed in this Guidance.

The integration of environmental and social performance considerations into the assessment of ALPs is fundamental to ensuring that procurement processes financed by the Bank align with its mandate and policies. ALPs may indicate cost structures achieved through the circumvention of applicable labour laws, environmental regulations, or occupational health and safety standards. Accepting such Proposals without adequate scrutiny may lead to significant implementation risks, undermine project outcomes, and be inconsistent with the Bank's Environmental and Social Policy and its commitment to international standards, including the Fundamental Conventions of the International Labour Organisation.

Clients are expected to apply specific consideration to environmental and social compliance where an ALP is identified. Regarding environmental, social, health and safety provisions, Clients shall pay particular attention to the adequacy of the pricing of these requirements. In order to facilitate the analysis, as required by the preamble to the Price Schedules contained in the SPDs, these items shall be specifically listed and, thus, priced by participants in their proposals. Moreover, in line with this guidance, analysis should involve a formal request for justification from the Participant, requiring disaggregated information on labour costs (wage rates, working hours, social security contributions), as well as costs associated with meeting environmental and health and safety requirements. Participants must demonstrate that their Proposal has priced in compliance with these requirements within the Bill of Quantity or Price Schedule. The Bank encourages the use of structured evaluation tools such as standard labour and environmental cost breakdown templates based on minimum wage and legal compliance benchmarks.

The following provides details of a sample procedure that can be applied to a Works contract of an average complexity, and particularly where a detailed design and Bill of Quantity exists. For more complex works contracts, for example those requiring a substantial level of innovation from Participants, 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) include an appropriate provision at the outset of the project). Any such alternative procedures shall be acceptable to the Bank and subject to the Bank's no-objection.

The determination as to whether an ALP shall be rejected shall be made in accordance with Section III: Evaluation Methodology of the SPD which states the following:

"If in the opinion of the Client the Proposal which results in the most economically advantageous priced is seriously unbalanced or front loaded, or determined to be abnormally low, the Client shall require the Participant to produce detailed price analyses for any or all items of the Price Schedules, and supplementary evidence, to demonstrate the internal consistency of those prices with the information provided in the Participant's Technical Documentation.

If after evaluation of the price analyses and taking into consideration the Technical Documentation and the Contract cash flow forecast, the Client still considers that the Proposal price is unbalanced or abnormally low, it shall outline its concerns to the Participant in writing and request the Participant to provide further clarifications.

In the event that the Participant is subsequently unable to demonstrate beyond reasonable doubt its capability to perform the Contract for the offered price, the Proposal shall be rejected as non-responsive".

Requests to Participants to produce and submit "detailed price analyses" and/or "supplementary evidence" shall be carried out in accordance with the relevant "Clarification of Proposal" provision contained in the SPD. Clients shall ensure that Participants are provided with a reasonable period within which to provide any requested clarifications, detailed price analyses and/or supplementary evidence. Under normal circumstances, and dependent upon the volume/complexity of information to be provided by a Participant, a period of 5 - 10 business days shall be considered to generally constitute a reasonable period.

The price analysis would normally comprise of the following basic cost components: Proposal Price = Cost of Works (materials, contractor's equipment and labour) + Overhead Expenses (on site and general) + Profit.

Therefore, the Client's evaluation of the capability of a Participant to perform the contract within its total Proposal price shall focus on the price analysis of any or all the items of the works to be performed by the Participant and their internal consistency with the Participant's estimate of the resource inputs required for the performance of the works, which depends on the work method and overall program of works, and associated pricing by the Participant.

In instances where a Participant is relying on the inputs of a subcontractor for parts of the works highlighted as potentially low priced, the Client shall request the Participant to demonstrate the internal consistency of its proposed price for those works of sub-contractors, as a part of the ALP clarification process.

The evaluation process shall commence with an arithmetical check of each Proposal followed by a preliminary evaluation of the Proposal price. The purpose of this preliminary evaluation is to identify any parts of the works which may have been grossly underestimated by the Participant and which would therefore merit further detailed evaluation of the Participant's estimate of resource inputs and associated pricing incorporated in the Participant's total Proposal price. This preliminary examination should look to identify issues such as:

- Has the Participant omitted to price some items and does this appear to have been intentional or accidental?
- Are some items priced significantly lower than estimated? And if so, is this a consequence of an arithmetical error or a misplacement of a decimal point or has the Participant misunderstood what is to be included in the rate?
- Are certain items/types of items consistently under-priced across the Bill of Quantity (e.g. cost per metre of laying pipes in a trench) and are there any indications why this may be the case?

Following this preliminary evaluation the following steps shall be undertaken:

Step 1

- Evaluation of the Participant's Estimate of Resource Inputs associated with Performance of the Works. Contractors may perform identical works using differing volumes, sequencing, timing and combination of resource inputs, such as construction equipment, staff and labour, materials. A Participant's estimate of such resource inputs, which would be required for the performance of the works, shall be the first step in the evaluation of the Participant's capability to perform the contract. All Participants should have estimated the volume of the resource inputs required for the performance of the works based on the construction methods, sequence and timing of the various construction activities, sources of materials etc, i.e. based on the Participant's Base Programme. Accordingly, the Client shall first examine the Base Programme submitted in the lowest priced Proposal and determine if it is in fact realistic, considering the specific circumstances of the project site.

  For example, a Participant may choose topsoil removal works to be executed using self-propelled scrapers. If successful, the Participant 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 as compared to other construction methods. Consequently, the selected construction method should have a direct impact on the prospective cost of the works to the Participant and ultimately its Proposal price. However, should the Participant misjudge 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 Participant may not be capable of following the selected construction method and, if awarded the contract, will suffer substantial cost overruns during the execution of the works on account of having to: a) modify or substitute the selected construction method; and b) cover the cost of additional support or new equipment, operating costs, etc. Moreover, if the Client were to accept the Participant's Proposal price, having full knowledge that it is based on a flawed Base Programme, then the possibility arises that following contract award to the Participant, any inability to execute the works in accordance with such a programme could give rise to a claim or variation by the Participant.

Step 2

- Statistical Evaluation. All Participants will have individually determined the prospective cost of the works prior to the submission of their Proposals. Therefore, providing that the Base Programmes adopted by the Participants are comparable (see above paragraph), the average subtotal of rates (subtotals) quoted by the Participants for various parts of the works should be representative of the actual cost of the works and constitute a sound benchmark for the preliminary assessment of the sufficiency of subtotals quoted by the lowest price Participant for the respective parts of the works.
- Line Chart of Subtotals Quoted for Various Parts of Works by other Participants. Except for subtotals quoted by the lowest price Participant, the Client shall first enter all subtotals quoted by other Participants for various parts of the works into a combined line chart. The Client's estimated subtotals for the respective parts of the works should also be inserted into the line chart.

  The Client shall compare all subtotals for each part of the works in the line chart and note the nature of any inconsistencies with the view to:

  a. identify any evidence of frontloading; and
  b. determine the average representative subtotal of rates for each part of the works (average subtotals).

  All line charts should normally be balanced providing that the Base Programmes adopted by the respective Participants are comparable. A substantially unbalanced subtotal should generally constitute evidence of frontloading by a Participant or the incidence of a gross error in the Participant's estimate of the actual cost of the respective part of the works. For comparison purposes, such individual subtotals should be adjusted within the total price quoted by the respective Participant or the Client's estimate for the entire Works, in proportion with the average subtotals for the respective parts of the works quoted by other Participants and the Client's estimates.
- Comparison of Subtotals Quoted by Lowest Price Participant with those Quoted by other Participants. Once the Client has determined the average representative subtotals for each part of the works (average subtotals), these shall be compared with the respective subtotals quoted by the lowest price Participant. If all the subtotals quoted by the lowest price Participant transpire to be consistently below the average subtotals, such a price ranking may constitute evidence that the lowest price Participant has grossly underestimated its overhead expenses and/or chosen to incorporate an exceptionally low profit margin and contingencies in its rates. In such instances, the Client's further evaluation should concentrate on the breakdown of the Participant's overhead expenses and clarification of the basis for determining its profit margin and contingencies.

In the event of any exceptional shortfall between the average subtotal and the subtotal quoted by the lowest price Participant for any individual part of the works, the Client's further evaluation should concentrate on the detailed price analyses and assessment of its internal consistency with the estimate of resource inputs and pricing of the respective individual part of the works.

- Preliminary Clarification and Request for Participants' Detailed Price Analyses for the Works. Following the preliminary evaluation, if the Client considers that further clarification from the Participant is required, the Client may request the Participant to produce detailed price analyses for any part of the works in accordance with the relevant provisions contained in the SPD.
- Content of the Client's Clarification Request for Price Analyses. The Client's clarification request for price analyses shall focus on the issues that will have been identified during the preliminary evaluation and clarify the basis on which the Client determined that the Participant's pricing of the works may be abnormally low. The contents of the Client's clarification request shall ensure that the Participant will be able to provide an equally focused response to the Client. To expedite the Proposal evaluation, the Client shall also provide the Participant with the format in which the Participant will be expected to submit its price analysis. In this regard, a sample 'Form for Detailed Analysis of Unit Rates' that may be used for this purpose, if appropriate, is attached at Annex 1. Where concerns regarding adequacy of labour costs are identified, the sample form in Annex II – "Sample Cost Schedule for Detailed Breakdown of Labour Costs" may be used for this purpose.
- Clarification of the Participant's Overhead Expenses and Contingency. It should be noted that the basis upon which a Participant may factor overhead expenses into its Proposal prices can be substantially different from that used by other Participants. The respective value of the individual overhead expenses may therefore fluctuate within considerable margins. This can be evidenced with reference to the outcome of procurement exercises held on a "slice and package" basis, which show that Participants' discounts for the award of more than one contract can range between 0-30% of the Proposal price. Hence, the margin of overhead expenses may vary substantially and can be manipulated by any Participant after the date of Proposal submission taking into account the ranking of its Proposal price vis-à-vis other Participants. The Client should therefore require that all Participants shall provide detailed information pertaining to their overhead expenses as part of the Proposal submission. The same position should be taken regarding contingencies for the same reason.

Step 3

- Detailed Clarification and Request for further Participant's Price Analyses for the Works. Following the receipt of the Participant's detailed price analyses, the Client shall determine if the Participant's estimates of the resource inputs and the pricing of the works provided therein are consistent with the Client's respective assumptions. If the Client determines a potential shortfall in any of the items of the Participant's price analyses the Client shall request further clarification from the Participant which may include appropriate documentary evidence that would validate the Participant's price analyses. The Client's clarification request shall focus on the issues that have been identified during the detailed evaluation of the Participant's initial price analyses and clarify the basis upon which the Client determined that the Participant's assessment of the works may be abnormally low. The Client should also convey to the Participant that any attempt of misrepresentation by the Participant within the framework of the Proposal evaluation may fall within the definition of the prohibited practices and may be subject to the Banks' respective Enforcement Policy and Procedures.

- Clarification of the Participant's Estimate of Resource Inputs. If the Client determines that the Participant's estimate of a resource input associated with a particular part of the works may not be realistic or is substantially below the Client's respective assumption, the Client shall request the Participant to clarify to the Client's satisfaction the basis on which the Participant has:

  a. estimated the respective resource input; or

  b. determined that the underlying work programme arrangements can be modified or substituted within its total Proposal price.

  The Participant's clarification 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 works for which the Client requires clarification.

- Clarification of the Participant's Estimate of Pricing. If the Client determines that the Participant's estimate of the cost of a resource input may not be realistic or is substantially below the Client's respective assumption, the Client shall request the Participant 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 Client. If the Participant is relying on a subsidy to substantiate its pricing, the Participant shall be required to provide reasonable evidence to substantiate this aspect. Notwithstanding, in the event such evidence is provided by the Participant, the presence of a subsidy, albeit may be seen as distortive to the competition shall not constitute a basis for the Proposal to be rejected on the ALP basis, as the Proposal would not be considered as "abnormally" low.

  The Participant's clarification may also include a description of the nature of the Participant's access to the proposed construction equipment e.g. hire, lease, purchase agreement, etc and any documentary evidence that the Participant utilised for determining its Proposal price during the Proposal preparation period.

- Report of Evaluation of Participant's Detailed Price Analyses and Client's Recommendation. At the end of the detailed evaluation of the Participant's price analyses the Client shall produce a concise report that shall form an annex to the Proposal evaluation report and that shall include the following summary information:

  a. The value of the Participant's estimates of the resource items and respective pricing which the Client determined to be unrealistic or substantially below the level required for satisfactory performance of the works.

  b. The value of the Client's estimates and assumptions in relation to the resource items and respective pricing required for satisfactory performance of other works.

  c. The value of the shortfall identified in the Participant's Proposal; and

  d. The recommended outcome of the 'Detailed Evaluation of the Participant's Price Analyses'.

  The report shall also include details of any objection that the Participant may have highlighted regarding the Client's estimates and assumptions in relation to the resource items and their respective pricing and appropriate justification of the grounds on which the Client has rejected the Participant's objections. The Client's recommendation shall be included in the report. In addition, the Proposal evaluation report shall incorporate copies of all clarification exchanges between the Client and the Participant.

Step 4

- **Client's Recommendation.** Following evaluation of the Participant's price analyses and detailed clarification thereof, if the Client has established that the Participant is unable to demonstrate, beyond reasonable doubt, its capability to perform the contract within its total Proposal price, reject the Proposal submitted by the lowest evaluated substantially responsive Participant in accordance with the relevant provision contained in Section III: Evaluation Methodology of the SPD.
- **Seriously Unbalanced or Front-Loaded Proposals.** Following completion of the detailed price analysis and clarification process described in this Guidance, if a Client determines that a Proposal is not an ALP but has identified conclusive evidence that a Proposal is either seriously unbalanced or substantially front-loaded, subject to the Bank's prior consent, a Client may request the Participant to re-balance the Bill of Quantity or Price Schedules prior to contract award without any change to its overall Proposal Price. This process would aim to ensure that the unit prices/rates in the final version of the contract genuinely reflect the level of input and estimated cost of the specific works in question and that the Participant has not unreasonably inflated the cost of any aspect of the works. This process shall be undertaken through the process provided for in the Bank's SPD for the contract finalisation meeting and it shall be aligned with the payment terms and conditions set out in the procurement documents.
- Clients should be aware that, as a part of the Banks' fiduciary oversight, for complex/high value/contentious cases it may be necessary for the Bank to seek an independent opinion with regard to the basis and logic behind any decision to reject an ALP prior to the Bank being in a position to issue the Bank's no-objection to the proposed contract award. This is done among others to mitigate the risk of a procurement complaint being submitted by the Participant whose Proposal was unjustifiably rejected as an ALP. While an independent opinion is requested, the procurement process may need to be prolonged and proposals validity extended.

3.5. Services and Consultancy Services

The Bank considers that the key principles of the assessment and clarification process can equally be applied in the assessment of potential ALPs for Services and Consultancy Services. This on the basis that:

- The same 'absolute' and 'relative' approaches can be used for the purposes of identifying a Proposal for Services and Consultancy Services that may potentially be an ALP.
- The assessment of the overall adequacy of the proposed resource inputs would focus on the assessment of the key staff and other inputs, the proposed duration and adequacy of those inputs vis-à-vis the specific tasks contained in the terms of reference and methodology proposed by the Participant to deliver those tasks.
- The proposed resource inputs and the proposed fee rates for key tasks can be compared and benchmarked against those proposed by other Participants through a statistical analysis to identify any areas where the Participant that has proposed the lowest price may not have a realistic understanding of the required task and contract objectives or where the cost of such resource inputs may be unrealistic or below the Client's earlier assumptions; and,
- In the event that any proposed resource inputs are questionable or appear inadequate when compared to other Proposals, or in instances where a Participant's proposed fee rate for that resource input appears to be unreasonably low or insufficient, the Client can seek written clarifications from that Participant to provide the Participant with a fair and reasonable opportunity to clarify the logic and

rationale behind its proposed approach and/or to substantiate its proposed fee rate(s) prior to making any determination in this regard.

Notwithstanding, it is important to note that for Consultancy Services, if Proposals have been subjected to a separate technical evaluation prior to the opening of financial Proposals, and the Client has accepted the Participant's proposed resource inputs, the Bank does not consider it reasonable to raise this issue in the context of an ALP, unless the quoted rates fall below the legally mandated limits or substantially below the prevailing market rates for the staff of the given qualification. This reflects the Bank's view that the proposed resource inputs should be diligently assessed and considered in the Proposal evaluation and scoring phase, during the initial technical evaluation stage and not through the subsequent financial evaluation stage.

As per the Bank's position with respect to Works contracts, in instances it may be necessary for the Bank to seek an independent opinion regarding the basis and logic behind any decision to reject an ALP for Services and Consultancy Services prior to the Bank being in a position to issue the Bank's no-objection to the proposed contract award.

3.6. Goods

In appropriate instances, the key principles of the above-described assessment and clarification process could also be applied in the assessment of potential ALPs for Goods contracts.

To establish if the offered price for Goods reflects a legitimate competitive advantage or poses performance risk, Clients shall verify whether the offered price is fair and reasonable, using, as appropriate: (i) comparison with other offers, (ii) market prices/research, (iii) recent historical data, or (iv) cost analysis, where possible.

As discussed below, the Bank recognises that it may be extremely challenging for a Client to obtain compelling economic justification to support an ALP determination for a Goods contract. However, if following an assessment and clarification process in line with the key principles contained in this guidance, a Client is able to provide the Bank with evidence that a Participant is unable to demonstrate, beyond reasonable doubt, its capability to perform a contract for the supply of Goods within its total Proposal price, the Client may reject the Proposal submitted by the lowest evaluated substantially responsive Participant.

Any such rejection would need to be consistent with the relevant provision contained in Section III: Evaluation Methodology of the SPD. In such instances, full details of the price analysis undertaken, and any clarifications in this regard provided by the Participant during the clarification process, shall be documented in the Proposal Evaluation Report along with any supporting documentation and submitted to the Bank for no-objection.

As with Works contracts, in instances, the Bank may need to seek an independent opinion regarding the basis and logic behind any decision to reject an ALP for Goods prior to issue of the Bank's no-objection to the proposed contract award.

It is acknowledged that there are fundamental differences in the way that Goods and Works contracts are priced. These aspects would need to be considered when making an assessment. For example, contracting authorities rarely have visibility into suppliers' production costs, making cost-realism checks for Goods much more difficult. Suppliers may be unwilling to reveal details of their manufacturing and sourcing costs and may consider this confidential information. There may also be other related costs which could be difficult to quantify (i.e. costs associated with research & development, marketing, and warranties). In some instances, a low proposal price for Goods might reflect a legitimate commercial strategy (e.g. inventory clearance, entering a new market, or an attempt to gain future leverage, i.e. long-term supply of spare parts) making it difficult to distinguish an “abnormally low” price from a “competitive” price. Prices for Goods do not always have a stable cost benchmark (even identical items may vary widely in legitimate price due to innovation or procurement scale), whilst in Works contracts, there are established cost norms and technical standards, and even publicly available price indices.

Annex 1 – Sample Form for Detailed Analysis of Unit Rates

Item No.	Description	Unit	Production	Direct Cost				
(0)	(1)	(2)	(3)	Position (4)	Quantity/hour	Unit rate		Total
				Labour				
				Type	Quantity/hour	Unit rate		Total
				Sub-total 1				
				Materials				
				Type	Quantity/hour	Unit rate		Total
				Sub-total 2				
				Equipment				
				Type	Quantity/hour	Unit rate		Total
				Sub-total 3				Total
				Total Direct Cost = Sub-total 1 + Sub-total 2 + Sub-total 3				
				Site Overheads				
				Give precise description of each category of site overhead in column below (enter K_1 multiplying factor of direct costs)				
				Staff			$K_1 =$	
				Equipment			$K_1 =$	
				Others			$K_1 =$	
				Total site overhead cost				
				General Overheads				
				Give precise description of each category of general (headquarters) overhead in column below (enter K_2 multiplying factor of direct costs)				
				Headquarters			$K_2 =$	
				Insurances			$K_2 =$	
				Other financial costs			$K_2 =$	
				Profit			$K_2 =$	
				Total general overhead cost				
				Profit				
				State profit rate (enter K_3 multiplying factor of total cost)				
				Cost (Labour + Materials + Equipment + Site Overheads + General Overheads			$K_3 =$	
				Total Unit Rate				

Annex 2 - Sample Cost Schedule for Detailed Breakdown of Labour Costs

Role (by skilled level)	No. of workers (FTE)	Weekly working hours per worker	Total working hours per worker (project)	Hourly wage[2]	Gross wage per worker	Subtotal gross wages	Social security contributions[3] (% of gross wage)	Social security contributions	Other labour costs[4]	Total labour cost – per category / project	Notes[5]
Unskilled											Wage exceeds NMW
Semi-skilled 1											Sectoral CBA rate
Semi-skilled 2											Sectoral CBA rate
Site Supervisor											
Project Manager											
TOTAL											

Notes:

(i) All costs shall be shown in the currency of the tender and
(ii) An equivalent table shall be provided for any subcontractors.

[2] Must comply with national minimum wage or applicable collective agreements.
[3] Include mandatory employer-paid contributions to social security, health insurance and pension schemes.
[4] Personal protective equipment (PPE), training, uniforms, allowances, paid leave, bonuses.
[5] Assessment of hourly wage against national minimum wage / CBA; working hours in line with national legal maximum.

Guidance note
Assessment of Abnormally Low Proposals

4. Disclosure
5. Effective Date
6. Decision Making Framework
7. Related Documents

4. Disclosure

This Guidance will be disclosed on Bank's website.

5. Effective Date

This Guidance is effective from 1 September 2026.

6. Decision Making Framework

Director, Project Procurement Department (PPD) is accountable for this Guidance.

Associate Director, Policy, PPD, as designated by the Director PPD, is responsible for this Guidance.

7. Related Documents

EBRD Procurement Policies and Rules

EBRD Standard Procurement Document for the Procurement of Works

EBRD Standard Procurement Document for the Procurement of Consultancy Services

Guidance Notes: Procurement Policies and Rules

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