



A TYPICAL BID EVALUATION REPORT

(Bids evaluation must be done in strict accordance with the conditions specified in the contract document)

1. Introduction

1.1 General

The Notice Inviting Tender (NIT) for the construction of ACC Office Building and Related Site Development work was published in the Kuensel issue of 3 June 2009. Subsequently, the NIT was advertised in all the national papers. The NIT was issued after receiving the necessary administrative approval on the estimate from the Chairperson, Anti-Corruption Commission.

The sale of bidding documents was open for 41 days, which started from 3 June 2009 and closed on 13 July 2009. Ten contract firms owned by Bhutanese Nationals in Class A in W3 building construction category had purchased the bidding documents.

Important note: The sale of bidding documents should be kept confidential (both by Accounts and Engineering Sections) to avoid bid rigging through collusion among the bidders. Pre-bid meetings disclose the contract firms that have bought the bidding documents. Pre-bid meeting may be conducted only if it is absolutely necessary.

1.2 Submission and Opening of Bids

The last date and time of submission of bids was stipulated as 2.00 PM on 15 July 2009. The receiving of bids was closed by 2.00 PM on 15 July 2009. There were no late submissions of bids.

Important note: If any contract firm asks for clarification on the bidding documents in writing before submission, the same clarification must be given to all the contract firms that bought the bidding document.

Out of the ten contract firms that had purchased the bidding documents, only three of them had submitted their bids. The names of contract firms that had submitted the bids are given as M/s E Construction, M/s F Construction and M/s I Construction.

The above bids were opened by the Bid Opening Committee at 2.30 PM on the same day as stipulated in the contract documents. The bid opening was done in strict accordance with the checklists for bid opening in presence of representatives of the contract firms. Details of bids opening are contained in the Bid Opening Record Sheet. The minutes of Bid Opening was recorded and kept.

Important note: It is very important to open the bids in strict accordance with the checklists for opening the bids (refer Bid Opening Checklist). The Bid Opening Record Sheet must be filled up and duly signed by the members of the Bid Opening Committee and bidders' representatives present. All over-writings/corrections must be observed and signed next to them by all members of the Bid Opening Committee. Minutes of the bid opening must be recorded and kept.

Bid amounts offered by contract firms as read out and written on a white board during the bid opening is given in Table 1 below:

Table 1: Record of bid amounts as read out during the bid opening

Sl. #	Name of Bidder	Nationality	Bid Price as read out (Nu.)	Remarks
1.	M/s E Construction	Bhutanese	73,000,000/-	No discount offered
2.	M/s I Construction	Bhutanese	82,785,221/-	No discount offered
3.	M/s F Construction	Bhutanese	85,962,084.32	Figure arrived at with 5% discount offered by the bidder

Important note: Any rebate or discount offered must be recorded and signed by all Bid Opening Committee members.

2. Examination for completeness of bids

2.1 Bid Documents

The submitted bids were first examined to check if all documents and information required by the bidding documents were submitted. The areas covered by close examinations were Form of Bid and Bill of Quantities, Bid Security, Schedules of Particular Information and Completeness.

Important note: All members of the Bid Opening Committee must have examined and signed these documents which should be further scrutinized by the Evaluation Committee for final authentication and approval.

3. Preliminary examination of bids

3.1 Completeness and Legal validity

Close examination revealed that all bids were signed either by the authorized signatories with power of attorney from the proprietors or by the proprietors themselves. All items had been quoted with corresponding rates and were complete in all respects. Therefore, all bids were legally valid.

Important note: Power of attorneys must be scrutinized – signatures of both who gives the power of attorney and who receives it must be authenticated. All item rates with over-writing/corrections must be checked for signatures of the Bid Opening Committee members.

3.2 Bid Validity

As per clause 15.1 of Instructions to the Bidders (ITB), bids must remain valid for a period not less than 90 days from the deadline of their submission. As no additional conditions were put up by the bidders, all bids were taken to be valid up to 12 October 2009.

Important note: Any additional conditions if given must be examined, whether it affects the bid validity, in any ways.

3.3 Bid Security

As per clause 16.1 of ITB, the bid security amount should be Nu. 1,100,000.00. Bank guarantees and other instruments of fixed validity shall be valid for 30 days after the validity of the bids, i.e. up to 11 November 2009.

All Bank Guarantees were in prescribed format and there were no additional conditions, thus making them acceptable. The Bank Guarantees were verified from the concerned financial institutions through telephone. The Bank Guarantees' numbers were communicated to the concerned Banks and they were asked to furnish details on – to whom drawn, both contract firm and client, amount, date of issue and the validity. All Bank Guarantees were found to be genuine and were issued for the intended purpose by the respective Banks.

Important note: Bank Guarantees must be checked for authenticity through prescribed format, amount and validity. Such information must be cross-checked or verified from the concerned banks that issued the guarantees.

4. Determination of Substantive responsiveness of bids

4.1 Eligibility

The clause 3 and 4.3 (a) of the ITB required each bidder to submit with the bid the evidence of their eligibility. All bidders had submitted registration certificates of the Construction Development Board

and trade licences issued by the Ministry of Economic Affairs. These certificates confirmed that bidders fulfilled the required Class A category and that they had valid trade licenses.

Important note: Registration certificates must be cross-checked with the originals issued by the CDB and the contractor list maintained by them. Trade licenses must be cross-checked with the originals and the trade license list maintained by the Department of Trade.

4.2 Responsiveness to commercial conditions

All bidders had signed the bid form as well as bidding documents without raising any reservations or additional conditions. Therefore, it was taken that they had agreed with the commercial conditions of the contract.

Important note: Examine all pages of bid form for signatures of the proprietor or his authorized (through power of attorney) agent. Examine the legal or contractual implication of any additional conditions given by the bidders.

4.3 Compliance with Technical Requirements

The Evaluation Committee reviewed the completeness of Bills of Quantities, details of key personnel. All bidders had fulfilled the formal requirements as stipulated in the bidding documents.

Important note: Conditions required by bidding documents must be examined to ascertain compliance. Any additional conditions, if specified by the bidders must be studied for legal or contractual implications.

5. Bids rejected as non-responsive to the bidding documents

None of the bids were rejected as all bids had fulfilled the formal requirements as stipulated in the bidding documents.

6. Detailed evaluation of bids

6.1 Selection of Bids for Detailed Evaluation

As discussed under section 5 above, all bids were determined to be substantially responsive and detailed evaluations were carried out for all bids.

6.2 Correction of Errors

Arithmetical errors, specifically in the addition and multiplication of rates against quantities and amounts thereof that may have been committed by the bidder in their Schedules of Rates were checked and corrected as per clause 27 of the ITB.

While there were no mistakes in the Schedules of Rates submitted by M/s E Construction and M/s F Construction, there were some errors in the Schedules of Rates submitted by M/s I Construction. Although, some of the corrections were relatively minor, as per clause 27.2, of the ITB, these corrections were notified to the bidder in writing requesting the contract firm for its acceptance or rejection/explanation of the corrections in writing.

M/s I Construction responded accepting the corrections made by the Evaluation Committee. With their acceptance of the corrections, their quoted amount changed to Nu. 82,791,070.87 from Nu. 82,785,221.00, announced during the bid opening, a positive difference of Nu.5,849.87 from the original quoted amount.



Important note: Any arithmetical errors in multiplication (rates x quantities) and in addition must be checked and corrected. All such errors must be notified to the concerned contract firm for its acceptance, rejection or explanation.

6.3 Bidders Request and Terms/ Conditions

All bidders had accepted the terms and conditions stipulated in the contract and did not add any new terms and conditions that would change the requirements under the contract.

6.4 Bidders Offer

(i) M/s F Construction: The contract firm had offered a uniform discount of 5% on all the item rates entered in the priced Bill of Quantities. With this rebate offer, the firm's amount was Nu. 85,962,084.32. No other bidders had indicated any additional offers beyond the requirements of the Contract.

6.5 Bidder's Qualification

The information regarding financial capacity and technical ability of the bidders were examined in line with the requirements stipulated under clause 4.5 of the ITB. All bidders had submitted the required information in completed forms that were provided with the bidding documents. All bidders provided information in completed forms on current or works in hand, past five years' work done or experiences, financial positions or credit lines, their construction equipment and key personnel.

Important note: These information must be cross-checked with all possible sources. Present and past clients or employers for work experience and in hand work information, CDB, RSTA and financial institutions for other information.

Based on the information provided by bidders, two different letters were sent to the past and current clients of these contract firms. The first set of letters was sent requesting for details of work done by these bidders in the past five years. Work done was not specified, since we thought that we may be pre-empting information to be provided by clients or employers.

The second set of letters was sent requesting for details of on-going or works in hand. For reason of pre-empting information, the names of on-going or works in hand was not provided.

Important note: The names of work declared by the contract firms should not be mentioned when requesting information on such matters from clients. Instead information should be asked by providing the format for it against the contract firms. This should be done not to pre-empt the information that the clients may provide, but more importantly, to put the responsibility of providing information on the clients.

With the receipt of letters from the clients or employers, new information emerged. For M/s I Construction, construction of 24 three-storey quarters for new THPA Colony at Rinchentse and flooring and tile works for Ministers' Enclave were provided by Tala Hydropower Corporation and National Housing Development Corporation. Information on these two works in hand was not provided by M/s I Construction.

After receiving all information from past clients or employers, the information was examined and processed in accordance with clause 4.5 of the ITB.

While computing the annual turnover, all works done by the contract firms in the past five years were distributed over the duration of the contract on pro-rata basis. Pro-rata allocation was adopted in the absence of actual payment schedule against these contract works. The year-wise financial turnovers were given a 5% increase per year to bring them to 2009 price level as per provisions of clause 4.8 of the ITB.

Important note: Contract firms must fulfill equipment and personnel requirement as specified in the contract document. But, if they have not provided such information, the client must ask for them and get in writing. It becomes more important and appropriate to enforce such conditions during implementation of contract as per the clauses of the contract agreement.

6.6 Check for Bid Capacity

The work in hand or on-going obligations of the contract firm in financial value was computed based on the information provided by the clients or employers of these firms. The quantity of work, which would affect with ACC's contract work (if given to the firm), was computed in financial value.

Using the annual turnover, value of work in hand and the number of years ACC Office Building would take to complete, the bid capacity of the contract firms were calculated by the following formula as per ITB clause 4.8.

Assessed available Bid Capacity = (A*N*1.5 - B), where

A = Maximum value of civil engineering works executed in any one year during the last five years (updated to the current price level by adding 5% per year)

N = Number of years prescribed for the completion of works for which bids are invited (period up to 6 months to be half year and more than 6 months as 1 year)

B = Value at the current price level, of existing commitments and on-going works to be completed during the period of the completion of works for which bids are invited.

Applying this formula to all contract firms as a case calculation, the bid capacity of M/s E Construction was negative at Nu.-1.45 million. The bid capacity of M/s F Construction was assessed at Nu. 147.04 million and for M/s I Construction assessed at Nu.161.09 million.

The assessed bid capacity must be higher than the proposed contract value. Applying this criterion, M/s E Construction does not fulfil the bid capacity criterion as the proposed was Nu.73 million. M/s I Construction and M/s F Construction fulfilled the bid capacity criterion as their proposed contract value is Nu.82,785,211.00 and Nu.85,962,084.32 respectively.

7. Estimate for the work

The ACC's estimate was Nu. 59,820,985.66 based on the Bhutan Schedule of Rates (BSR) 2006-2007 for Phuentsholing with 15% Cost Index for Thimphu.

8. Adjusted and evaluated tender sum

The adjusted Tender Sum of the winning bidder is the basis for the Contract price. The evaluated Tender Sums are derived solely as a guide for ranking the bidders.

9. Contractor selection considerations

Based on the bids evaluation, the following points may be considered to reach at an appropriate decision.

9.1 Rates Offered Versus Analyzed Rates

Based on the contract amount proposed in respect to ACC's estimate, M/s E Construction's amount is 22.03% higher. Similarly, M/s I and M/s F Constructions' proposed amounts are 38.40% and 43.70% higher respectively. Since the overall percentages quoted reflected only the gross amount, there was the need to examine individual rates against market rates. In order to compare the individual rates against market rates, 92 (out of 369) items with high quoted rates were analyzed for market rates.

Important note: When the quoted rates are high, it may be necessary to analyze market rates for items with high rates. This is done to be able to make comparative analysis between the market rates and quoted rates.

The standard format and coefficients for rates analyses were used. The market prices for materials were collected from STCBL and NRDCL. Labour rates were based on actual market rates paid by contract firms in Thimphu.

Rates used for items with aluminium frames were analyzed by the consultant who prepared the estimate. Interestingly, rates quoted for such items by M/s F Construction were consistently within 20% of our rates except for one item.

For these 92 analyzed items, when compared with the three contract firms' quoted rates, M/s E Construction's, M/s I Construction's and M/s F Construction's overall rates are 32.90%, 50.88% and 49.16% higher than the actual market rate.

9.2 Broad Analysis

All three contract firms quoted very high rate for the same item of work, "providing, preparing and applying Sumdang Traditional Bhutanese painting (washable) - Rab to all external traditional features of Guard House" (1210%, 8816.67% and 1483.33%). Rates quoted by all three contract firms are consistently higher than analyzed rates for brick and stone masonry, all cement works from simple plain cement concrete to reinforced cement concrete and aluminum framed shutters. Interestingly, all wood works are reasonably priced and no analysis was done for items of work requiring wood. It is a fact that price of timber in the market is controlled by government. This fact suggests that market prices for brick and stone masonry and concreting works have escalated.

10. Conclusion

M/s E Construction, with the lowest financial proposal of Nu. 73000000.00 did not qualify on previous work experience and bid capacity criteria. The contract firm had quoted 22.03% higher on the overall rates and 32.90% higher in 92 items for which rates were analyzed.

M/s I Construction, with the second lowest financial proposal of Nu. 82,791,070.87 fulfilled all technical criteria - previous work experience and bid capacity. However, the contract firm has 5 works in hand concurrently which disqualifies the firm. The contract firm had quoted 38.40% higher on the overall items and 50.88% higher in 92 items for which rates were analyzed.

M/s F Construction, with financial proposal of Nu 85,962,084.32 was the highest bidder. The contract firm fulfilled all technical criteria - previous work experience and bid capacity. Three of her 5 works in hand are 99% complete. The contract firm had quoted 43.70% (adjusted quoted sum) higher on the overall items and 49.16% higher in 92 items for which rates were analyzed. The firm's rates though high are consistent across items.

Important note: The main responsibility of the Bid Evaluation Committee is to collect all information required by the bidding document. Next is to process the information in the most appropriate manner and present it with all the facts and background documents, to the Tender Committee. Unless the recommendation is well-defined by the information processed and presented, the Bid Evaluation Committee should not make any recommendations. Present the facts and let the Tender Committee make decisions.

Signed by the Tender Evaluation Committee Members

Important Note: This typical bid evaluation report can not be used as a legal basis.

Bhutan's position in global corruption ranking

Table with columns: Country Rank (World), Country/Territory, Country Rank (Asia-Pacific), CPI Score (2006, 2007, 2008), and Confidence Intervals (2006, 2007, 2008). Rows include New Zealand, Singapore, Australia, Hong Kong, Japan, Macao, Taiwan, Malaysia, S/Korea, Bhutan, India, Nepal, and B/desh.

Source: Adapted from Corruption Perception Index 2008, Transparency International