

# KNOWLEDGE CENTRE

Pre-tender Estimate

PTE:1

## Relevant Facts or Questions Asked

A Procuring Entity (PE) sought guidance as follows:

- I. Clarification is required in relation to the process for determining the procurement methodology for works contracts, specifically, whether adding the 15% before deciding on the methodology should be based solely on the in-house estimate;*
- II. Whether in an instance where market sounding is not used, and the quotes received from bidders exceed the ceiling for the selected procurement method, it is permissible to proceed with the procurement process, or is it advisable to retender?*

## Advice

### *Development of pre-tender estimates*

1. The determination of a procurement method may be influenced by several factors, the chief of which is often the procuring entity's pre-tender estimate. Other influences considered are the scope, nature of the procurement, and the size of the supplier market, inter alia.
2. Thus, the development of pre-tender estimates is an essential part of the procurement process and is of considerable significance in the attainment of the procurement objective of Value for Money (VFM), which should be a key consideration for their preparation.
3. An accepted practice in developing pre-tender estimates is soliciting quotes from suppliers to arrive at an accurate estimate of intended procurement. This practice

gives procuring entities the opportunity to gain direct information on the potential procurement contract.

4. Though the information gleaned from the solicitation of quotes may provide the procuring entity with direct price information from suppliers of the intended procurement, this information should not be the primary factor considered when developing pre-tender estimates. Other factors that the procuring entity might want to consider would be the proposed contract requirements, current market conditions, inherent and contingent risk assessment, and expert advice.
5. In this instance, while the use of experts is not mandatory for the determination of pre-tender estimates for works procurements, the Procuring Entity should consider it depending on the complexity of the procurement in question.
6. Additionally, there are other resources the Procuring Entity may avail itself of in its quest to derive an accurate pre-tender estimate for works procurements, such as the National Works Agency's Schedule of Rates and the Incorporated Masterbuilders Association of Jamaica.
7. Also, this Ministry encourages that in instances where the margin between deploying a closed method of procurement is within 15% close to the deployment of an open method of procurement, procuring entities should consider choosing the more competitive procurement method.

***Bid prices received exceed the ceiling for the selected procurement method***

8. In determining whether to proceed with procurement proceedings where the bids received exceed the threshold for the procurement method deployed, the Procuring Entity should consider making an assessment to determine the soundness of its pre-tender estimate.
9. If the Procuring Entity is able to validate the soundness of its pre-tender estimate and prove that it did not intentionally lower the pre-tender estimate to avoid the use of a competitive procurement method, it may proceed with procurement.

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