



MINISTRY OF FINANCE AND THE PUBLIC SERVICE

OFFICE OF PUBLIC PROCUREMENT POLICY

KNOWLEDGE CENTRE

Procurement Method Threshold

PMT:1

Relevant Facts or Questions Asked

A Procuring Entity (PE) sought guidance as follows:

- I. Reference is made to the competition thresholds outlined in Circular #5 dated June 09, 2025.
- II. Clarification is being sought pertaining to the determination of the appropriate method of procurement based on the internal estimate. Example, for the procurement of works, if the internal estimate is \$4.9 million dollars, is it appropriate to utilise the single-source procurement method? Should consideration be given to the allowable +/- 15% variance range, which may take it over the single source procurement threshold? Finally, where a quote is solicited, and it falls within a higher competition threshold than the procurement method that was utilised, please advise us how to treat with same?

Advice

Development of Pre-tender estimates

1. The determination of the appropriate procurement method is influenced by several factors, the chief of which is often the procuring entity's pre-tender estimate. Other considerations include the scope and nature of the procurement, market structure, supplier availability, and associated risks.

2. The preparation of a pre-tender estimate is therefore a critical planning activity and is directly linked to the attainment of the procurement objective of Value for Money (VFM), as contemplated under the Public Procurement Act, 2015 (as amended) ("the Act").
3. This Ministry advises that where the estimated value of a procurement falls within approximately fifteen percent (15%) of the competition threshold separating a closed or restricted method from an open or more competitive method, and there is a reasonable possibility that market responses may exceed the estimate, procuring entities should utilise the more competitive procurement method.
4. This guidance is confined to procurement planning considerations and does not modify the statutory competition thresholds. Unless justified in accordance with Sections 25(1)(a), (b), (c) and (e), a single-source procurement may only result in the award of a contract whose value falls within the prescribed single-source competition threshold.

Bid prices received exceed the ceiling for the selected procurement method

5. Procuring entities should be mindful that, except as otherwise provided in Sections 24 and 25 of the Public Procurement Act, the award of a contract exceeding the applicable value limit for the procurement method deployed is not permissible. Except in circumstances where negotiation is permitted and the procuring entity is able to negotiate with the successful bidder for a price below the relevant competition threshold, where bids received exceed the relevant competition threshold, the procuring entity shall not proceed to award the contract under that method, as the competition threshold operates as a statutory limit governing the lawful use of procurement methods.
6. In such circumstances, the procuring entity should conduct a documented assessment of the soundness and reasonableness of its pre-tender estimate for internal governance and planning purposes. However, the defensibility of

the estimate does not override the requirement that the contract value must fall within the applicable competition threshold for the method utilised.

7. Where the contract value exceeds the relevant competition threshold and the procuring entity is not able to negotiate the price of the contract to a value within the relevant competition threshold, the procuring entity should cancel the procurement proceedings and recommence the procurement using the method applicable to the appropriate competition band, in accordance with section 41 of the Act.
8. By way of illustration, where a procuring entity's internal estimate for a works procurement is \$39 million and the restricted bidding method is deployed, but the bids received exceed \$40 million (being the applicable threshold), except as outlined below, the procuring entity would not be permitted to proceed to award the contract under that method, as the resulting contract value would fall outside the prescribed competition band. The procuring entity would be entitled to proceed with the award only **if the prior approval** of the head of entity was received to justify proceeding with the restricted bidding method for a value above the competition threshold, in accordance with Sections 22B(2)(b) and 24 of the Act.

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