



**MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT**  
**Procurement Policy Office**  
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**From: Director, Procurement Policy Office**

**To : Officers-in-Charge of Public Bodies**

**Guidance on Award of Public Contracts by Lots**

1. Whereas Section 40 (1) of the Public Procurement Act 2006 (PPA) in respect of “Award of procurement contracts” specifies that: “A procurement contract shall be awarded to the bidder having submitted the lowest evaluated substantially responsive bid which meets the qualification criteria specified in the prequalification document or bidding document”, a new Section 40(2C) has been added in the PPA to enable public bodies to limit the number of lots to be awarded to suppliers.

The new section 40(2C) reads as follows:

*“Notwithstanding subsection (1), a public body may limit the award of the number of lots to suppliers provided that such limitations are based on non-discriminatory criteria for determining which lots shall be awarded to substantially responsive suppliers that shall be indicated in the bidding document.”*

2. To note that there are procurement exercises for many projects such as maintenance and construction works, consultancy services and other services where contracts are awarded requiring contractors, service providers and consultants to execute in different zones, regions or districts (commonly referred to as lots). Such contracts are executed by lot(s) or under a Framework Agreement.

3. As a general rule, where contracts are divided into lots and where a Framework Agreement is not appropriate, public bodies should not restrict the award of the number of lots to suppliers. The new section allows limitation in the award of the number of lots in the following circumstances where:

- Time is of essence and the nature of the procurement is such that some works/services would have to be carried out concurrently in different lots in different regions and it is reasonably considered that limiting the number of lots to suppliers will be more effective;

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**Note:** When undertaking a procurement exercise, please make sure you are using the latest version of the appropriate Standard Bidding Document available on the website of the Procurement Policy Office ([ppo.govmu.org](http://ppo.govmu.org)). You may also consult on the site the updated version of the Public Procurement Act and the Regulations made thereunder, as well as circulars issued by the Office.

- A market sounding exercise has concluded that the suppliers have limited capacity to reasonably perform the contract effectively and efficiently for two or more lots; or
- There is a large number of eligible and capable suppliers and restricting the number of lots can enhance competition and attract more SMEs to participate in the bidding exercise.

4. The public body has the obligation under this method to include in the bidding document –

- (a) the maximum number of lots a supplier may be awarded, and
- (b) the evaluation methodology containing non-discriminatory criteria to award the contract in different lots.

5. The choice of lots to be awarded to suppliers should be such that the supplier/lot combination would result in best value for money to the public body. An annex is a worked example to limit award of lots to suppliers.

**Procurement Policy Office**  
**24 November 2016**

## ANNEX

### Worked example on awarding contracts by Lots

In a bidding exercise, the bidding document provides award of contract for only one lot per supplier. 4 bidders have submitted bids for the 3 lots as per the bidding document. Table below shows the bid prices (in Rs) of each bidder.

Bidder	Lot 1	Lot 2	Lot 3
A	120,000	135,000	121,000
B	118,000	90,000	125,000
C	110,000	56,000	210,000
D	78,000	-	99,000

#### Procedures for awarding each lot:

Step 1: The first step is to rank each contractor per lot

Lot 1	Lot 2	Lot 3
1. Bidder D	Bidder C	Bidder D
2. Bidder C	Bidder B	Bidder A
3. Bidder B	Bidder A	Bidder B
4. Bidder A	-	Bidder C

Step 2: The second step is to identify the lowest substantially responsive bidder for each lot.

Lot 1: Bidder D

Lot 2: Bidder C

Lot 3: Bidder D

Step 3: Apply the clause: 'A bidder cannot be awarded more than one lot'

Bidder C is the lowest only in Lot 2. Therefore he is awarded Lot 2.

Bidder D is lowest in lots 1 and 3. However, only one lot should be awarded to him.

Step 4: Select which of these two lots is to be awarded to Bidder D. The following scenarios should be considered:

#### Scenario 1: Lot 1 is awarded to Bidder D

Therefore by default, Lot 3 will be awarded to the next lowest bidder, which is Bidder A

Calculating the sum of these two lots:

Lot 1: Bidder D = Rs 78,000

Lot 2: Bidder C = Rs 56,000

Lot 3: Bidder A =Rs 121,000

TOTAL Bid price for the three Lots = Rs **255,000**

**Scenario 2: Award Lot 3 to Bidder D**

Therefore by default, Lot 1 will be awarded to the next lowest bidder, which is Bidder B

Lot 3: Bidder D = Rs 99,000

Lot 2: Bidder C = Rs 56,000

Lot 1: Bidder B =Rs 118,000

TOTAL Bid Price for the three Lots = Rs **273,000**

**The least cost combination is Scenario 1 at Rs 255,000 and the contract for each lot is awarded as follows:**

**Lot 1: Bidder D**

**Lot 2: Bidder C**

**Lot 3: Bidder A**

The rationale used above should also be applied where Suppliers may be awarded two or more lots.