GUIDE TO PROCUREMENT USING ELECTRONIC REVERSE AUCTIONS

Government Procurement Services
Government of Montserrat

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Table of Contents

Document Information and Revisions 2
Table of Contents 3
List of Acronyms 4
PART A: INTRODUCTION 5
1 Introduction 6
1.1 Purpose of guide 6
1.2 Legal framework 6
1.3 Application 6
PART B: OVERVIEW OF ELECTRONIC REVERSE AUCTIONS 7
2 Overview of electronic reverse auctions 8
2.1 What is an electronic reverse auction 8
2.2 When to use an electronic reverse auction 9
2.3 Process for electronic reverse auctions 9
PART C: THE ELECTRONIC REVERSE AUCTION PROCESS 11
3 The electronic reverse auction process 12
3.1 Step 1: Prepare for the auction 12
3.2 Step 2: Create the auction 12
3.3 Step 3: Invite tenderers 12
3.4 Step 4: Hold the auction 13
3.5 Step 5: Close the auction 13
3.6 Step 6: Determine the successful tenderer 14

List of Acronyms

Acronym	Definition
GOM	Government of Montserrat
GPS	Government Procurement Services
XCD	Eastern Caribbean Dollars

PART A: INTRODUCTION

1 Introduction

1.1 Purpose of guide

This guide is designed to provide public officers with an introduction to how to conduct procurement using an electronic reverse auction.

An electronic reverse auction is an online electronic process used to exert a downward pressure on tender prices and to select the successful tender. It allows tenderers to repeatedly submit lower prices during a scheduled auction process, securing best value for money.

This guide does not provide detailed guidance on any specific electronic reverse auction platform. Please consult system user guides for this.

1.2 Legal framework

Public procurement in Montserrat is governed by:

- the Public Procurement Act 2025 (the “Act”); and
- the Public Procurement Regulations 2025 (the “Regulations”).

This guide is issued by Government Procurement Services (GPS) under section 10 of the Act to provide procuring entities (PEs) with the necessary guidance and direction to implement procurement using a reverse auction.

GPS has issued separate guides which provide an overview of the public procurement system, guidance on procurement planning, other methods of procurement and contract award and management.

GPS has also adopted standard tender documents, contract forms and other procurement forms and templates. The use of these documents is mandatory and this guide provides advice on which documents should be used for electronic reverse auctions.

The Act and Regulations can be downloaded from https://tenders.gov.ms/publications. All other documents are available from GPS by emailing procurement@gov.ms.

In the event of any discrepancies, the Act and Regulations take precedence over this guide and the standard documents. Any queries or suggestions for updates to this guide or the standard documents should be addressed to the Head of GPS.

1.3 Application

The Act, Regulations and this guide apply to all PEs, including ministries, departments, units and subdivisions of the Government of Montserrat (GOM) that engage in procurement.

Government owned entities are required to follow this guide, unless they have their own procurement rules or regulations, approved by the Cabinet on the recommendation of the Public Procurement Board.

For guidance on donor funded procurement and exemptions to the Act, refer to the Guide to the Public Procurement System.

PART B: OVERVIEW OF ELECTRONIC REVERSE AUCTIONS

2 Overview of electronic reverse auctions

2.1 What is an electronic reverse auction

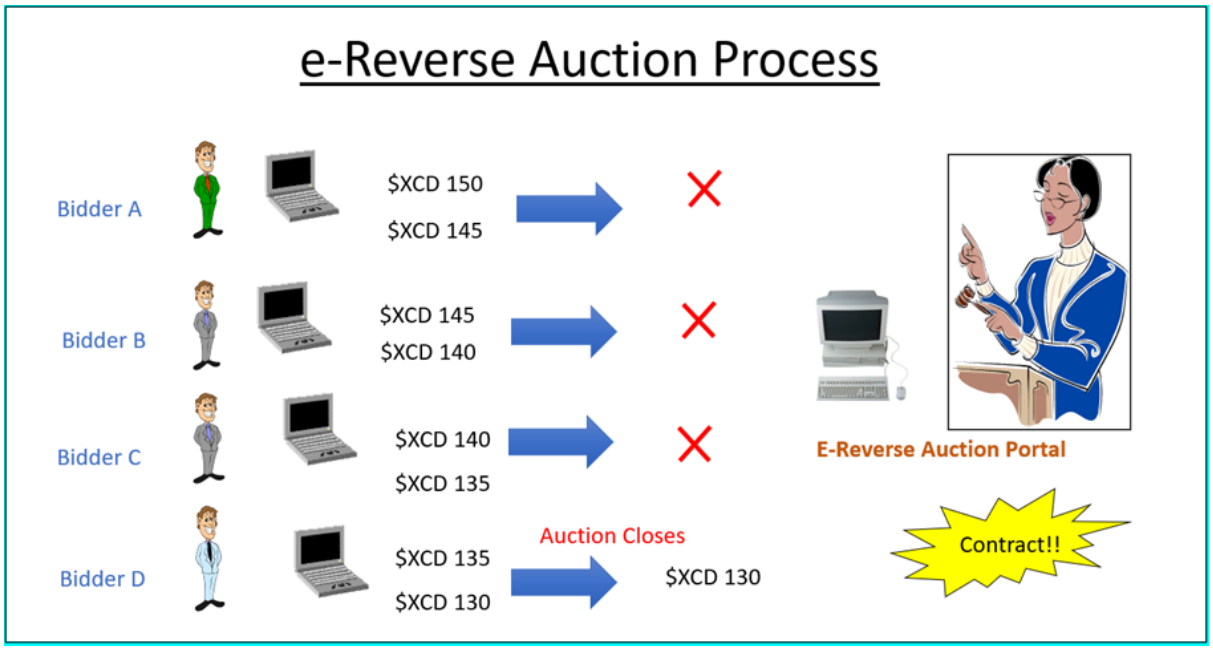
An electronic reverse auction is an interactive online process under which tenderers can repeatedly present new – *lower* - prices in a procurement process. The auction takes place during a scheduled period of time, after the full evaluation of tenders. Tenderers are informed of the lowest price during the auction, allowing them to submit successively lower prices to compete. The online auction system will automatically evaluate and rank tenders to identify the most advantageous tender.

The electronic reverse auction process uses online tools to put a downward pressure on tender prices by introducing live competition into the procurement process. Before using an electronic reverse auction, you must complete a detailed evaluation process to ensure that the tenders included in the auction are substantially responsive and that tenderers are qualified. The auction can then be used to drive down the price, without comprising standards or quality, securing better value for money for GOM.

References and templates:

- Section 28 of the Public Procurement Act 2025
- Regulation 45(2)(g) of the Public Procurement Regulations 2025
- Reverse Auction Pack providing text for tender notices and tender documents

The graphic below shows how the auction process puts downward pressure on tender prices through the opportunity for tenderers to see the current lowest tender price and respond with a reduced tender price themselves. The auction portal automatically determines the successful tender when the auction closes.



Electronic reverse auctions generally focus on tender prices, although some systems can also factor in other criteria which are quantifiable and can be expressed in monetary terms.

2.2 When to use an electronic reverse auction

Electronic reverse auctions may only be used where GPS has made arrangements for an appropriate electronic platform.

Once GPS has issued instructions on a platform, electronic reverse auctions may be used for goods, works or services where:

- it is feasible to prepare a detailed description of requirements;
- there is a competitive market of qualified suppliers to participate; and
- the evaluation criteria are can be expressed in monetary terms.

You should not use an auction for requirements which are highly complex or custom-designed to a particular specification or where there is a limited number of suppliers.

You are not permitted to use an electronic reverse auction for the procurement of consulting services.

You must record the reasons for using an electronic reverse auction!

When using an electronic reverse auction, make sure that the procurement record includes:

- the reasons and circumstances for using the auction; and
- information about the date and time of the opening and closing of the auction.

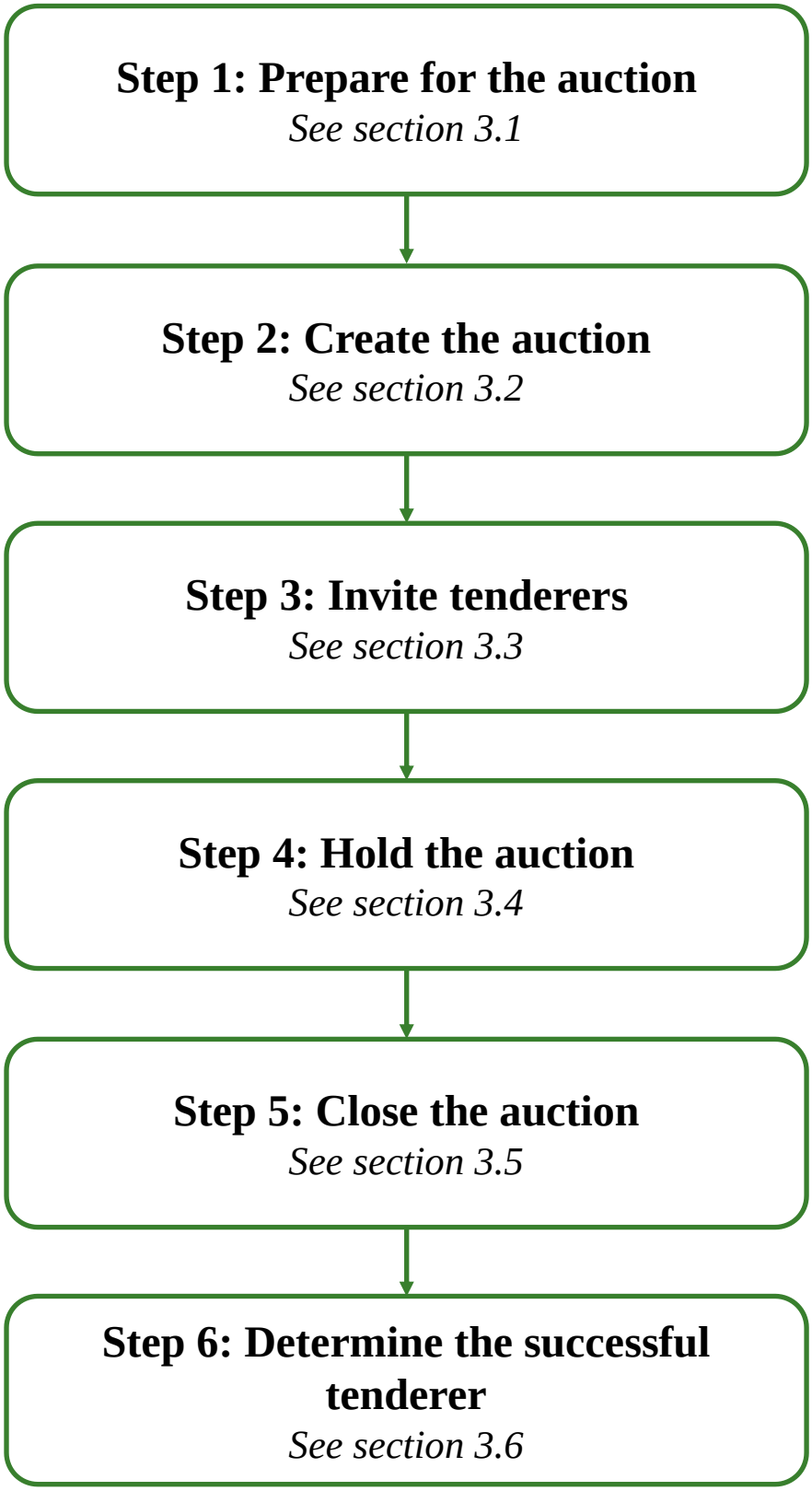
2.3 Process for electronic reverse auctions

Electronic reverse auctions only cover part of the procurement process. You need to complete a detailed evaluation before including substantially responsive tenders in the auction. Therefore, you should follow the procurement process for open tendering up to the point of conducting a financial evaluation. Following the auction, the usual process for contract award should be followed.

- See the **Guide to Open and Restricted Tendering** for guidance on the procurement process before the auction.
- See the **Guide to Contract Award and Management** for how to award and manage contracts after the auction process.

This guide provides general guidance on the process for electronic reverse auctions, but it should be read in conjunction with any instructions or user guide relating to the operation of specific platforms.

The flowchart on the next page shows the main steps in the electronic reverse auction process. Section 3 of this guide gives further information on each step in the process.


Step 1: Prepare for the auction
See section 3.1
Step 2: Create the auction
See section 3.2
Step 3: Invite tenderers
See section 3.3
Step 4: Hold the auction
See section 3.4
Step 5: Close the auction
See section 3.5
Step 6: Determine the successful tenderer
See section 3.6

PART C: THE ELECTRONIC REVERSE AUCTION PROCESS

3 The electronic reverse auction process

3.1 Step 1: Prepare for the auction

Notify tenderers in advance of the intention to hold an electronic reverse auction by stating this in the tender notice and tender document. The tender document must contain the following information:

- how the auction can be accessed, including appropriate information regarding connection to the auction;
- how the tender price should be expressed, including the currency or currencies permitted and which cost elements should be included;
- the criteria and procedure for evaluating tenders, including any mathematical formula that will be used in the evaluation procedure during the auction.

Use text from the **Reverse Auction Pack** to include relevant information in the tender notice and tender document.

Manager the earlier steps of the tendering and evaluation process as normal. This includes determining whether tenders are substantial responsiveness and tenderers are qualified. Reject any tenders that are not substantially responsive.

- See the **Guide to Open and Restricted Tendering** for guidance on the procurement process before the auction.

3.2 Step 2: Create the auction

Create a new electronic reverse auction process in the system put in place by GPS. Include the date, the start time, the duration, the starting price for each item or service, the decremental tender value for each item or service and the required specification(s).

The auction process should be set to start at a particular time and will normally have a finite duration of between 30 minutes and 2 hours. Alternatively, it is possible to vary the duration by setting a minimum and maximum duration but also stating that the process will end when there has been no further on-line tendering after a set number of minutes e.g. 5 minutes.

Update the process with details of the tenderers that will be invited to participate. Any tenderers whose tenders were not substantially responsive should not be invited to participate.

3.3 Step 3: Invite tenderers

Create and send invitations and notifications to the selected tenders who are invited to participate. The invitation to the auction must specify:

- The deadline by which tenderers must register for the auction and requirements for registration;
- The date and time of the opening of the auction and requirements for the identification of tenderers at the opening of the auction;
- Criteria governing the closing of the auction;

- Other rules for the conduct of the auction, including the information that will be made available to tenderers during the auction and the conditions under which tenderers will be able to tender;
- the outcome of the first stages of the evaluation as relevant to the tenderer invited.

Use standard forms generated by the auction platform and/or the **Reverse Auction Pack** to prepare an invitation.

The period of time between issuing the invitation to the auction and the auction must be sufficiently long to allow tenderers to register and prepare for the auction. At least two days should be allowed.

Ask tenderers to respond to the auction notification and update this information in the electronic reverse auction process. Confirm registration for the auction promptly to each registered tenderer.

If the number of tenderers registered for the auction is not enough to ensure effective competition, you may cancel the auction. You must notify all registered tenderers promptly of any cancellation.

3.4 Step 4: Hold the auction

Prior to starting an electronic reverse auction process, the system must be able to verify whether all operational conditions are in place for commencement of the auction. Tenderers will be made aware of the starting price of the item or service at the commencement of the tender process and tenderers can then submit their tenders once the start time is reached.

To submit a valid tender, tenderers must submit tenders that are lower than the *starting price or the current lowest tender price* by at least the *decremental tender value* or a multiple of it. This will be controlled by the electronic reverse auction process so tenderers cannot submit invalid bid values. For example, if the *decremental tender value* of an item or service is XCD 5 and the current lowest bid price is XCD 150, the system will only tenderers to submit a new tender value of XCD 145, 140, 135 etc. i.e. multiple decrements of the *decremental tender value*.

As the auction process continues, tenderers will be continually updated with the current lowest tender price of the item or service (or the most advantageous tender) but the identity of the lowest tenderer will not be disclosed.

It is essential that the identities of tenderers taking part in the process are not disclosed at any phase of the auction process. No communication is permitted between GOM and the tenderers or between tenderers, except for the update information provided by the auction system.

You should suspend or terminate the auction in the event of failures in the platform's communication system that puts the proper conduct of the auction at risk.

3.5 Step 5: Close the auction

The system will automatically close the auction in accordance with the details specified when the auction was created i.e. either at the time and date notified to tenderers or when the specified time period has elapsed during which no new valid tender has been received.

The system will alert tenderers of the impending closure of the auction and immediately inform them when the auction has closed.

3.6 Step 6: Determine the successful tenderer

Once the auction process has closed, the system will identify the most advantageous tender and details will be disclosed to GOM. Complete the evaluation and prepare an evaluation report before proceeding with contract award. This can include clarifying an abnormally low tender if required.

Seek approval of the recommended contract award and follow the usual processes for contract award and management.

- See the **Guide to Contract Award and Management** for how to award and manage contracts after the auction process.