



# Procurement Directive for ADB Borrowers: *What's Changed?*

Key Updates effective 1 January 2026

2026 KOTRA Business Support Seminar

*The views expressed in this presentation are the views of the author/s and do not necessarily reflect the views or policies of the Asian Development Bank, or its Board of Governors, or the governments they represent. ADB does not guarantee the accuracy of the data included in this presentation and accepts no responsibility for any consequence of their use. The countries listed in this presentation do not imply any view on ADB's part as to sovereignty or independent status or necessarily conform to ADB's terminology.*

# Objectives

## **Promote Innovation and Enhance Supplier Base**

Early market engagement, collaborative forms of contracting.

## **Improve Quality and Value for Money**

Merit point criteria on internationally advertised works, nonconsulting services and specific goods contracts.

## **Reward Sustainable Procurement**

Focus on environmental, social, economic & institutional considerations.

## **Foster Economic Growth and Local Development**

Local labor requirement on internationally advertised works contracts.

# Main Changes



## Early Market Engagement

Engaging the market before bidding to refine specs, attract bidders, and improve outcomes.



## Merit Point Criteria

Evaluating bids on technical merit and cost to reward quality and innovation.



## Local Participation

Requiring local labor on internationally advertised works to drive job creation and skills development.



## Contract Management

Ensuring contracts of substantial/high risk and high value are actively monitored through contract management plans.



## Sustainable Procurement

Embedding environmental, social, institutional and economic factors into procurement decisions, with up to 25% of the MPC technical score allocated to sustainability.

# Main Changes (cont.)



## Prequalification

Structured by default as a form of shortlisting, allowing the borrower to limit the firms invited to bid based on objective and transparent criteria.



## Collaborative Contracting

Partnering with contractors and consultants to share risks, rewards, and expertise. May provide benefits on high risk/value contracts.



## Financial Intermediation

Channeling funds to target sub-borrowers through local financial institutions rather than lending directly.



## Contract Modifications

ADB prior review is required for time extensions affecting completion, material scope changes, price variations  $\geq 15\%$ , and contract termination.



## Beneficial Ownership

Winners of internationally advertised contracts must disclose the natural person(s) who ultimately own or control the entity.

# Early Market Engagement

**Required for internationally advertised contracts to advance market readiness, competition and transparency.**

- **Refines specifications, cost estimates, and timelines**  
by gathering intelligence on industry trends, pricing, and solutions.
- **Conducted early in the cycle**  
by project teams and procurement specialists during preparation and design phases, before bidding.
- **Links with Strategic Procurement Planning (SPP)**  
by validating market assumptions, identifying challenges, and aligning procurement with project goals.
- **Enables suppliers**  
to introduce innovative solutions, enhancing sustainability.
- **Produces critical outputs**  
such as market assessments, risk analyses, and procurement strategies, informing project design and bidding to reduce uncertainties.





# Local Participation

Required for internationally advertised works contracts to advance job creation, skills development and economic growth.

## Investing in local labor

Strengthens community ownership and support, empowering people to lead and sustain development efforts beyond the project.

Reduces poverty and improves local livelihoods by fostering inclusive, resilient, and sustainable economic opportunities.

Builds local capacity and partnerships by developing community skills and promoting inclusive collaboration.

# Merit Point Criteria

Required for internationally advertised works, nonconsulting services and specific goods to advance quality, sustainability and value for money.

## Evaluating bids using MPC

Focuses on value for money and fit for purpose procurement by evaluating bids on technical merit as well as cost.

Rewards quality and innovation, encouraging stronger, more competitive bids.

Establishes well-defined and consistent quality standards that level the playing field.



YouTube

### Maximizing Procurement Impact with Merit Point Crit

As part of ADB's commitment to quality, sustainability, and value for money in its projects, ADB is implementing changes in its procurement approach effective 1 January 2026 that ensures

❏ MPC does not apply to pharmaceuticals, vaccines, commodities, and low-value off-the-shelf goods.



# Strategic Impact of MPC



## Prioritizes Quality

Evaluates bids based on operational performance, lifecycle value, and technical merit, moving beyond upfront costs.



## Incentivizes High-Quality Bids

Signals to the market that superior quality will be rewarded, fostering innovative and effective solutions.



## Enhances Transparency & Objectivity

Reduces subjectivity in evaluations, thereby strengthening trust among all stakeholders.



## Fosters Fair Competition

Ensures all suppliers adhere to clearly defined quality standards, thereby leveling the playing field.



## Supports ADB Strategic Priorities

Aligns procurement with goals such as climate resilience, sustainable infrastructure, gender inclusion, and innovation.

# When Does MPC Apply?

MPC will be utilized on internationally advertised contracts

For contracts with substantial/high procurement risk, minimum technical weighting is 50%

## How is advertising determined?

- **International Advertising:** Used when participation by foreign firms will increase competition and help achieve VfM.
- **National Advertising:**
  - May be used if procurement is unlikely to attract international competition.
  - Decision informed by supply market, procurement risk, contract complexity & value.
  - National Advertising: Subject to ADB approval.

## How is Procurement risk determined?

- Procurement risk is based on **procurement capacity, market conditions, contract complexity, contract size and implementation environment.**
- Borrower presents the procurement risk in the SPP report for ADB endorsement.

## How is technical weighting applied?

- 50% for high/substantial procurement risk and high value
- 60% for high/substantial procurement risk and low value
- 10% for moderate/low procurement risk and high value
- 20% for moderate/low procurement risk and low value

# Updates to Instructions for Borrower-Administered Procurement

## Staff Instruction

**Purpose:** Internal operational guidance for ADB staff

- Aligns internal processes with the new Procurement Directive (2026, as amended).
- Reflects updated delegation of authority, risk ratings, and terminology.

## Technical Instruction

**Purpose:** External guidance for borrowers

- Elaborates on Procurement Directive for ADB Borrowers (2026, as amended).
- Details requirements on advertisement, procurement risk assessment, and post-review procedures.

1

### Assess 5 criteria

- Procurement capacity
- Market conditions
- Contract complexity
- Contract size
- Implementation environment

2

### Scoring

- Rate each criterion 1-4 (1 = low, 4 = high risk)
- Total score determines overall risk rating

3

### Grouping

- With ADB agreement, similar contracts may be assessed as a group

# Directive's Phased Implementation



1 January 2026

1 July 2026

1 January 2027



## Phase 1: Directive Effective

Effective 1 January 2026, early market engagement begins for projects with concept notes approved after this date.



## Phase 2: Expanded Application

Beginning 1 July 2026, MPC and local participation requirements extend to all projects approved after 1 January 2026.



## Phase 3: Full Implementation

As of 1 January 2027, MPC and local participation become mandatory for all projects, regardless of approval date.



# Key Updates to Standard Bidding Documents

## User Guide Notes

Deleted from final SBDs

## Terminology & Safeguards Updates

- Alignment with ADB's 2024 Environment and Social Framework (ESF)
- Mandatory Environmental and Social (E&S) and Sexual Exploitation, Abuse and Harassment (SEAH) plans

## Evaluation Updates

- *First-ranked bid term* replaced with *Most Advantageous Bid*
- Revised MPC scoring

## Qualification & Financial Requirements

- *Current* revised to *Major Contract Commitments*
- Financial (FIN) forms updated

## Local Participation

- Minimum 50% local labor requirement

## Performance & Incentives (Optional)

- KPIs linked to compliance and payment deductions
- Optional bonus provisions

## Contract Management & Conditions

- Expanded monthly reporting (E&S, SEAH and labor metrics)
- New clauses on milestones, labor standards, and grievance mechanisms

# Support to Borrowers

## Borrowers informed of Procurement Directive

Government counterparts informed by letter in Q4 2025.



## Guidance Material

New and updated Guidance Notes, Procurement Snapshots, and explanatory videos, available by Q4 2025.



## Updated Project Procurement Site

The [Project Procurement site on ADB.org](#) offers resources and additional content for Borrowers, launched in Q1 2026.



## Standard Bidding Documents

Updated in Q1 2026 to reflect the Procurement Directive and Environmental and Social Framework.



## Technical Assistance (\$1.2M)

Dedicated technical assistance to support initial Directive implementation from 2026-2028, launched in Q1 2026.



## Capacity Development

Comprehensive training programs provided by ADB staff and expert consultants.



## Hands-on Support

Access to procurement experts pre-qualified under an ADB Framework Agreement, available from Q1 2026.

# Where to Find Resources

## Procurement Snapshot

**ADB**

### EARLY MARKET ENGAGEMENT

Advancing market readiness, competition, and transparency in ADB-financed projects

**What is Early Market Engagement?**

Early Market Engagement (EME) is a transparent and structured way to engage with suppliers before bidding. It allows bidders to assess capacity, refine requirements, and identify risks and opportunities so projects are feasible, competitive, and aligned with market conditions.

**Why EME?**

- Improves Accuracy: Refines technical specifications, budgets, and timelines, ensuring project expectations align with what the market can deliver.
- Enhances Competition: Alerts potential bidders, leading to more competitive and inclusive procurement.
- Stimulates Innovation: Allows suppliers to share emerging technologies and practices that improve sustainability and enhance development outcomes.
- Identifies Risks and Opportunities: Helps anticipate potential delivery challenges, supply chain constraints, and opportunities before procurement begins.
- Strengthens Transparency and Trust: Open and well-documented engagement fosters confidence among stakeholders, reinforcing transparency, and fairness in procurement.

**Common EME Approaches**

Market Dialogues	Information Tools	Collaborative Platforms
Market sounding sessions	Advance contracting notice	Project webinars
Feedback on specification	Request for information	Webinars and virtual briefings
Workshops and roundtables	Q&A portal	Innovation calls and challenges

**ADB**

### LOCAL PARTICIPATION

Advancing job creation, skills development, and economic growth in ADB-financed projects

**What is Local Participation?**

Local Participation refers to the meaningful, inclusive, and sustained engagement of local labor in project implementation. This approach rewards contractors that create local jobs and invest in skills development, fostering sustainable livelihoods and strengthening long-term development outcomes.

**Why Local Participation?**

- Community Ownership: Strengthens community ownership and support for the project.
- Economic Empowerment: Reduces poverty and enhances local livelihoods.
- Capacity Building: Develops local skills so communities can manage and sustain development outcomes beyond the project completion.
- Sustainable Growth: Fosters inclusive, resilient, and sustainable economic growth.
- Partnerships: Promotes inclusive participation and partnerships among communities, government, and contractors.

**Local Labor**

- Unskilled: No formal qualifications or trade experience.
- Semi-skilled: Vocational training or on-the-job experience.
- Skilled: Certified professionals.

**ADB**

### MERIT POINT CRITERIA

Advancing quality, sustainability, and value for money in ADB-financed projects

**What is Merit Point Criteria?**

Merit Point Criteria (MPC) is a structured approach to bid evaluation used to compare and rank bids, while balancing quality and cost. It assigns weights and scores to criteria that are important to the borrower and rewards bidders with approaches that deliver value for money.

**Why MPC?**

- Emphasizes Quality: Focuses on value for money and fit for purpose procurement by evaluating bids on technical merit as well as cost.
- Spotlights Solutions: Rewards quality and innovation, encouraging stronger, more competitive bids.
- Supports Fair Competition: Establishes well-defined and consistent quality standards that level the playing field.
- Enhances Transparency: Provides clarity in evaluations, strengthening trust among stakeholders.
- Aligns with Development Priorities: Advances climate resilience, sustainability, and innovation.

**How MPC Works**

MPC uses both technical and financial weightings to provide a balanced and transparent evaluation process. These weightings are published in the bidding documents. How evaluation criteria and their weightings are applied depends on procurement risk and contract value.

Procurement risk is assessed across five dimensions: borrower's procurement capacity, market conditions, contract complexity, contract size, and implementation environment. In high-risk, high-value contracts, technical criteria carry a greater weighting in the evaluation. A high-value contract is defined as one exceeding \$10 million.

Applying predefined, technical scoring to bid evaluation ensures consistency and transparent assessments and strengthens the integrity and credibility of the procurement process.

## Procurement Guidance Note

**EARLY MARKET ENGAGEMENT**  
PROCUREMENT GUIDANCE NOTE  
JANUARY 2026

ASIAN DEVELOPMENT BANK **ADB**

**LOCAL PARTICIPATION**  
PROCUREMENT GUIDANCE NOTE  
JANUARY 2026

ASIAN DEVELOPMENT BANK **ADB**

**MERIT POINT CRITERIA**  
PROCUREMENT GUIDANCE NOTE  
JANUARY 2026

ASIAN DEVELOPMENT BANK **ADB**

**BID EVALUATION**  
PROCUREMENT GUIDANCE NOTE  
JANUARY 2026

ASIAN DEVELOPMENT BANK **ADB**