

Recent ADB Procurement Reform and Initiatives

May 2026

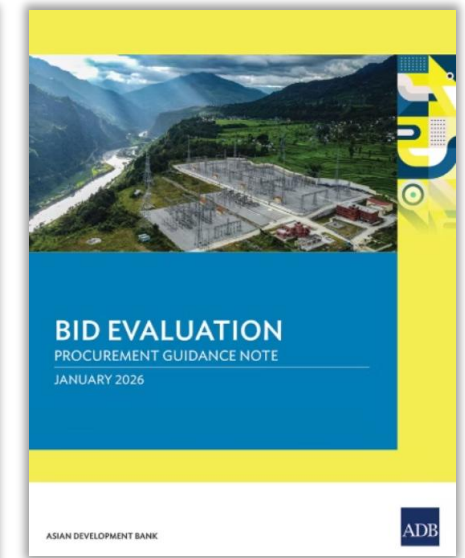
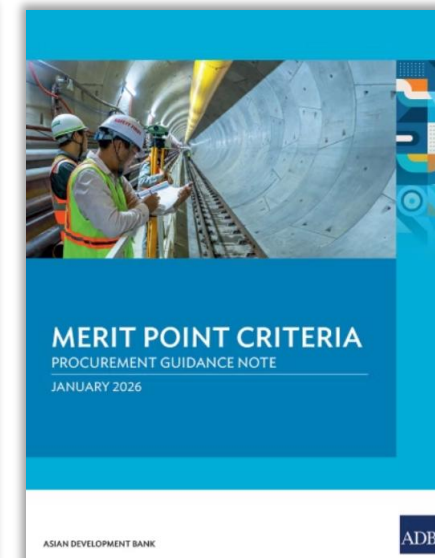
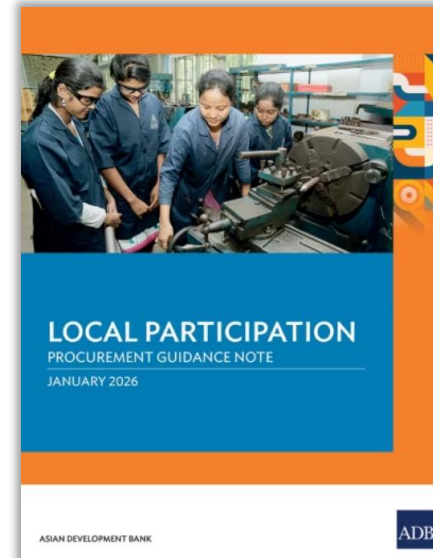
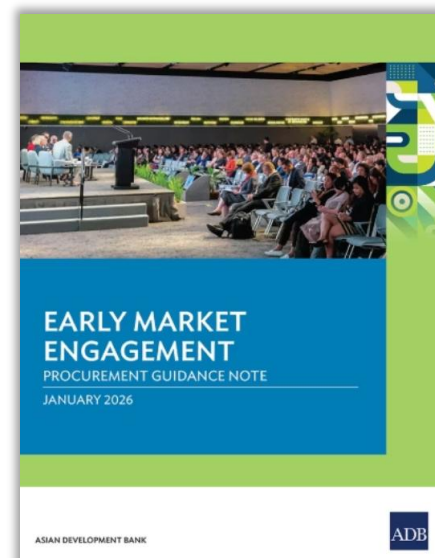
Jenny Yan Yee Chu

Procurement, Portfolio, and Financial Management Department

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Agenda

1. Overview
2. Early Market Engagement
3. Local Participation
4. Merit Points Criteria/ Rated Criteria
5. Q&A



Main Changes in Directive



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.

BRIEFING SESSION

Early Market Engagement

Nicholas Williams

Procurement Specialist

Amin Saskai

Senior Procurement Specialist

VALUE PROPOSITION

Why bid on Bank-funded contract?



EARLY MARKET ENGAGEMENT

What is Early market engagement?

Structured interactions between buyers and suppliers before the formal procurement process begins.

May include:

- Supplier Briefings/Webinars
- 1:1 Meetings
- Supplier/Industry Workshops
- Requests for Information (RFIs)

REQUIREMENTS

Early Market Engagement is mandatory for all international procurements over \$10M under Bank-funded projects

GET INVOLVED

Early Market Engagement Events are advertised on our [procurement website for suppliers](#).



Why is EME important?

Key risks identified pre and post contract award

- Low contractor participation due to poor advertisement.
- Poor-quality pre-bid feedback (too general)
- Perceived favoritism of existing market
- Package structure deterring bidders
- Evaluation committees weak or not setup early, leading to delays.
- E/S instruments not ready prior to bid issuance.
- Geographical remoteness or understanding of location.
- Not enough notice or bid issuance dates slip or are delayed without reason.
- Cancelled tenders.

Poor EME equals poor bidding outcomes:

- Insufficient EME Planning and outreach before EME session.
- Clients need to engage with contractors directly and provide more notice on upcoming opportunities.
- Contractors do not express the willingness for in country Site visits
- Open Forum Q/A sessions do not suit contractors given propriety and commercial information
- Consultants seem to attend civil works EME events, unknowingly due to poor outreach
- Target dates mostly tend to slip.

Quality EME Planning

Activity	Description	Timeline
General EME Notice	Publish an EME notice via the World Bank and industry-specific outlets, Circulate through PRIF, New Zealand Trade and Enterprise and AUSTRADE	Allow at least one month prior to planned bid issuance
Market Briefing Pack	Prepare and share a summary of project concept, draft bid procurement timeline, scope, packaging options, and proposed evaluation approach. Include a disclaimer: participation in EME confers no advantage.	Ongoing
Stakeholder Mapping	Identify key industry players, local and international contractors, suppliers, associations, and contractors, informed by road contractor survey, existing contractors known	Ongoing
Market Engagement Event (Virtual)	Conduct one virtual briefing session to present project scope, procurement approach, and solicit feedback.	Virtual Link/Invite provided at least 7 days in advance
Written Feedback Submission	Provide structured questionnaire to participants (covering capability, risks, packaging, and timelines).	Allow 7–10 days for written submissions.
Market Engagement Summary Report	Summarize inputs (anonymized), including all Q&As, feedback on capability, and market readiness. Clarify which comments are non-attributable.	
Update PPSD & Procurement Documents	Revise specifications/requirements, procurement strategy, and PPSD (if required) based on market input.	

EARLY MARKET ENGAGEMENT

Sample Questions

- **Would your firm consider bidding procured as one or two lot package? If not, what alternative packaging would materially improve your interest?**
- **What is the realistic mobilization period for plant, key personnel, camps, and initial materials in a multi-island environment?**
- **What contract duration would the market regard as realistic, taking account of shipping, weather, inter-island movement, and likely concurrency constraints?**
- **What local market inputs would bidders expect to rely on, and what practical opportunities exist for contractors and suppliers to participate?**
- **What elements of the future bidding documents will be most important to bidders in forming a go / no-go decision, particularly in relation to payment security, price adjustment, advance payment, source of materials, and environmental and social obligations?**



CASE STUDY 1

Civil Road works of Micronesian Climate-Resilient Road Improvements

Consultancy for the Design and Supervision of VA Identified Road Works across FSM (VAIW)

Early Market Engagement


DTCI | World Bank | SMEC

09 April 2026



ACTIVITY DETAILS

VAIW Civil works



\$24.5M

contract value

24 months

delivery duration

4 FSM states

Geographical area

ACTIVITY DETAILS

VAIW Civil works



KEY ISSUES TESTED WITH THE MARKET

- Commercial viability
- Contract duration
- pricing / price adjustment
- payment security
- Logistics feasibility
- inter-island Mobilization
- materials supply
- weather constraints
- Competition & capacity
- number of credible bidders
- JV appetite
- reliance on subcontractors
- Local participation

CASE STUDY 1

FSM Market Capacity Reality

- Limited domestic contractor capacity with regional contractors typically active up to \$10-million;
- Larger contracts above \$20 million historically attract limited participation
- Previous FSM road tenders above \$20 million have experienced repeated difficulties including non-responsive bids that failed to meet technical requirements
- Qualification challenges arise when bidders cannot demonstrate adequate experience with similar multi-island projects or cash flow requirements.
- Pricing challenges reflect contractor uncertainty about mobilisation and logistics costs of plant, imported aggregate, and remote site conditions leading to front loaded bids or budget constraints

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**Non-responsive
Bids**

02

National Contractors meeting qualification requirements requiring international bidding for larger packages.

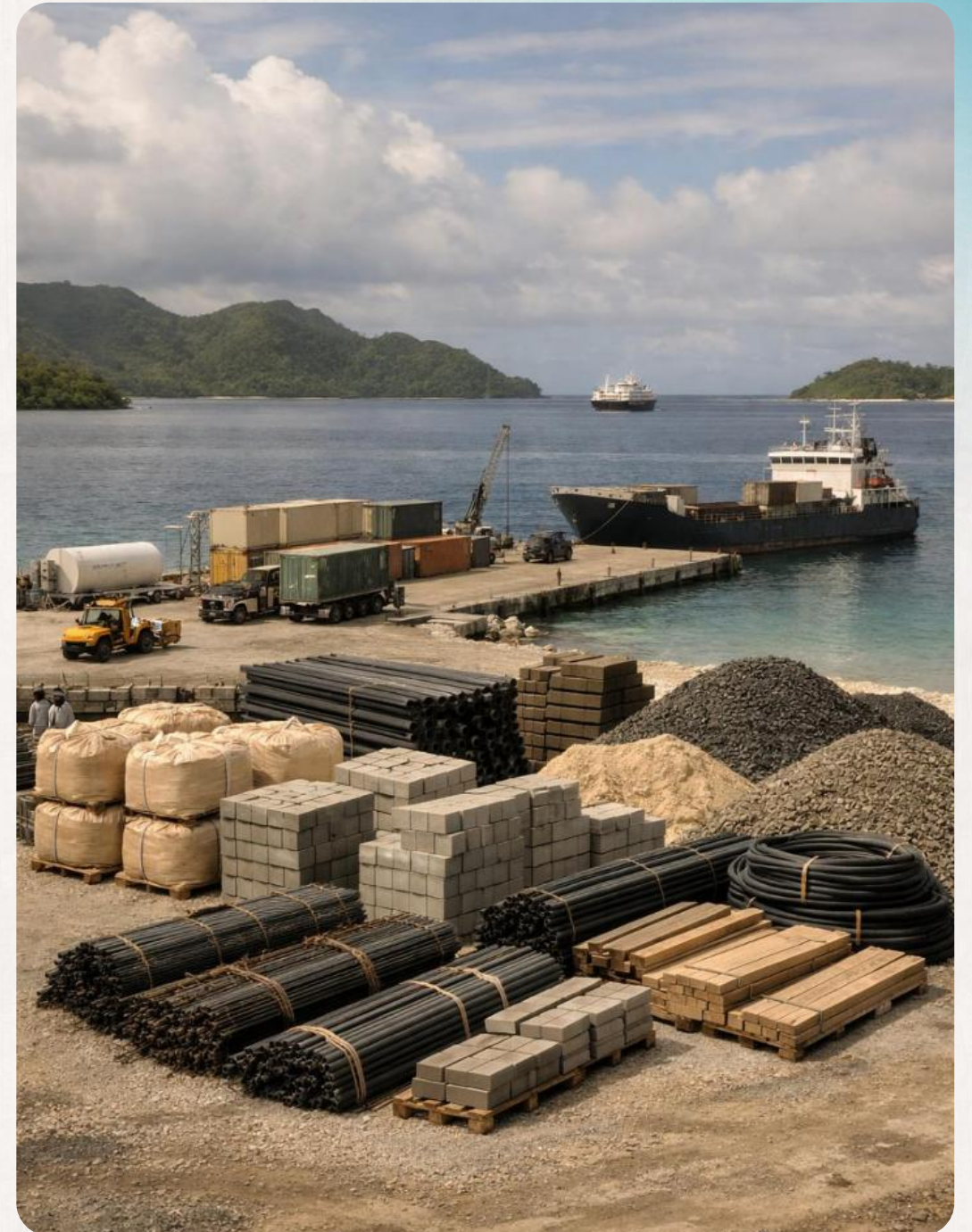
Lower qualification (AAT, Experience) thresholds where possible to ensure bidders qualify.

CASE STUDY 1

Remote Delivery Environment

Multi-island logistics across remote FSM locations with limited local materials, import-based supply chains, weather exposure, and recognized procurement planning constraints act as a deterrent to bidding.

- Remote island logistics require careful planning for equipment and material transport across multiple FSM states with limited inter-island connectivity
- Limited local construction materials availability means most supplies must be imported through established regional supply chains mostly Guam, Fiji and Philippines, with a 4-week delivery timeframe.
- Weather and climate exposure delays site mobilisation and workdays
- Multi-island coordination challenges across four states demand robust project management
- These delivery constraints are recognized in procurement planning and contract form.



CASE STUDY 1

Design-Bid-Build Procurement Approach

PROCUREMENT PROCESS

- Open international competition
- Single-stage, two-envelope submission using Tenderlink platform
- Rated criteria evaluation with 70% technical and 30% cost weighting
- Single contract package of approximately \$24.5 million with 18-month duration for centralised delivery across all four states simultaneously.
- The single package strategy addresses previous tender challenges including non-responsive bids, qualification issues, and pricing difficulties
- Contractors must demonstrate capacity to manage works across four states simultaneously with adequate resources and logistics coordination

**Rated Criteria: 70%
technical 30% weighting**

**World Bank Standard
Procurement Document
(FIDIC Red book 2017 –
RFB)**

Market feedback

Market responses inform procurement strategy finalisation before formal tender launch with focus on participation viability, barriers, and conditions for competitive bidding

- Packaging strategy (single vs multiple lots)
- Commercial structure (pricing, securities, price adjustment)
- Logistics (inter-island mobilization, materials, weather constraints)
- Contractor capacity and competition
- Local participation opportunities
- Procurement approach (rated criteria, timeline, evaluation method)

CASE STUDY 1

Key Questions to the market

Feedback will be reviewed to finalise procurement strategy and address identified barriers before launching formal competitive tender process.

- **Would your organization seriously consider bidding for this \$24.5 million opportunity given the multi-island delivery requirements and 18-month timeframe?**
- **Would you support a single lot or multi lot approach?**
- **What specific conditions would make participation viable including fiscal measures, payment terms, risk allocation adjustments, or design clarifications?**
- **What barriers would prevent participation such as security/bonding capacity, equipment, mobilisation costs, multi-state logistics, or ESF compliance requirements?**





EARLY MARKET ENGAGEMENT QUESTIONNAIRE

World Bank Supported Road Improvement Programme
Contractor Market Sounding

Purpose. This questionnaire is issued as part of an Early Market Engagement exercise to inform procurement packaging, risk allocation, delivery strategy, and bidder outreach for a proposed Road Improvement Programme. The exercise is non-binding, is not a prequalification or tender, and participation will not confer any advantage in any subsequent procurement process.

Project Information

Programme Title	
Client / Implementing Agency	
Consultant	
Development Partner	
Engagement Host	
Response Due	

Section 1 — Respondent Information

Company Name

Country of Registration

Head Office Location

Section 2 — Company Profile and Capability

2.1 Type of Organisation

Tick all that apply

- Civil works contractor
- Design consultant
- Design-build contractor
- EPC contractor
- Materials supplier
- Specialist subcontractor
- Joint venture partner
- Other (please specify) _____

2.2 Company Size (Annual Construction Turnover)

- < USD 10 million
- USD 10 – 50 million
- USD 50 – 200 million
- > USD 200 million

2.3 Experience in Similar Infrastructure

Please indicate experience in the following areas:

Type of Work	None	Limited	Moderate	Extensive
Road rehabilitation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bridge works	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Drainage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Slope stabilisation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Climate-resilient infrastructure	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

VAIW EME Feedback Results

Key concerns raised by respondents included:

- international shipping schedules;
- inter-island transport constraints;
- material sourcing;
- availability of specialist plant and equipment;
- workforce mobilisation;
- and the need for reliable supply chain coordination.

Several respondents highlighted the importance of:

- advance identification of material sources; and better payment terms.
- realistic procurement timelines;
- and early visibility of logistics assumptions.

VISIT THE **SUPPLIERS' HUB** ON OUR WEBSITE TO LEARN ABOUT OPPORTUNITIES TO BID ON CONTRACTS IN PROJECTS FINANCED BY THE WORLD BANK.

- EXPLORE A **FULL LIST OF CURRENT AND UPCOMING** BUSINESS OPPORTUNITIES
- CONSULT **PROCUREMENT GUIDANCE** AND POLICIES
- E-LEARNING FOR SUPPLIERS
- CHECK "**UPCOMING EVENTS**" FOR EARLY MARKET ENGAGEMENT SESSIONS AND BUSINESS OUTREACH EVENTS
- SIGN UP FOR **EMAIL ALERTS** FROM THE WORLD BANK TO STAY INFORMED ABOUT UPDATES TO PROJECTS, INCLUDING NEW PROCUREMENT NOTICES, BASED ON YOUR INDICATED INTERESTS

SCAN TO ACCESS THE
SUPPLIERS' HUB



[WORLDBANK.ORG/PROCUREMENT](https://www.worldbank.org/procurement)



Local Participation in ADB Procurement

Jenny Yan Yee Chu
Senior Procurement Specialist

Procurement, Portfolio *and* Financial Management Department



Objective of Local Participation



Component of Local Participation

Required on internationally advertised works contracts

Mandatory pass/fail

- As a minimum, 50 % of the workforce shall be local labor.
- Calculation by person days.
- Applicable on 1 January 2026.

Exceptions

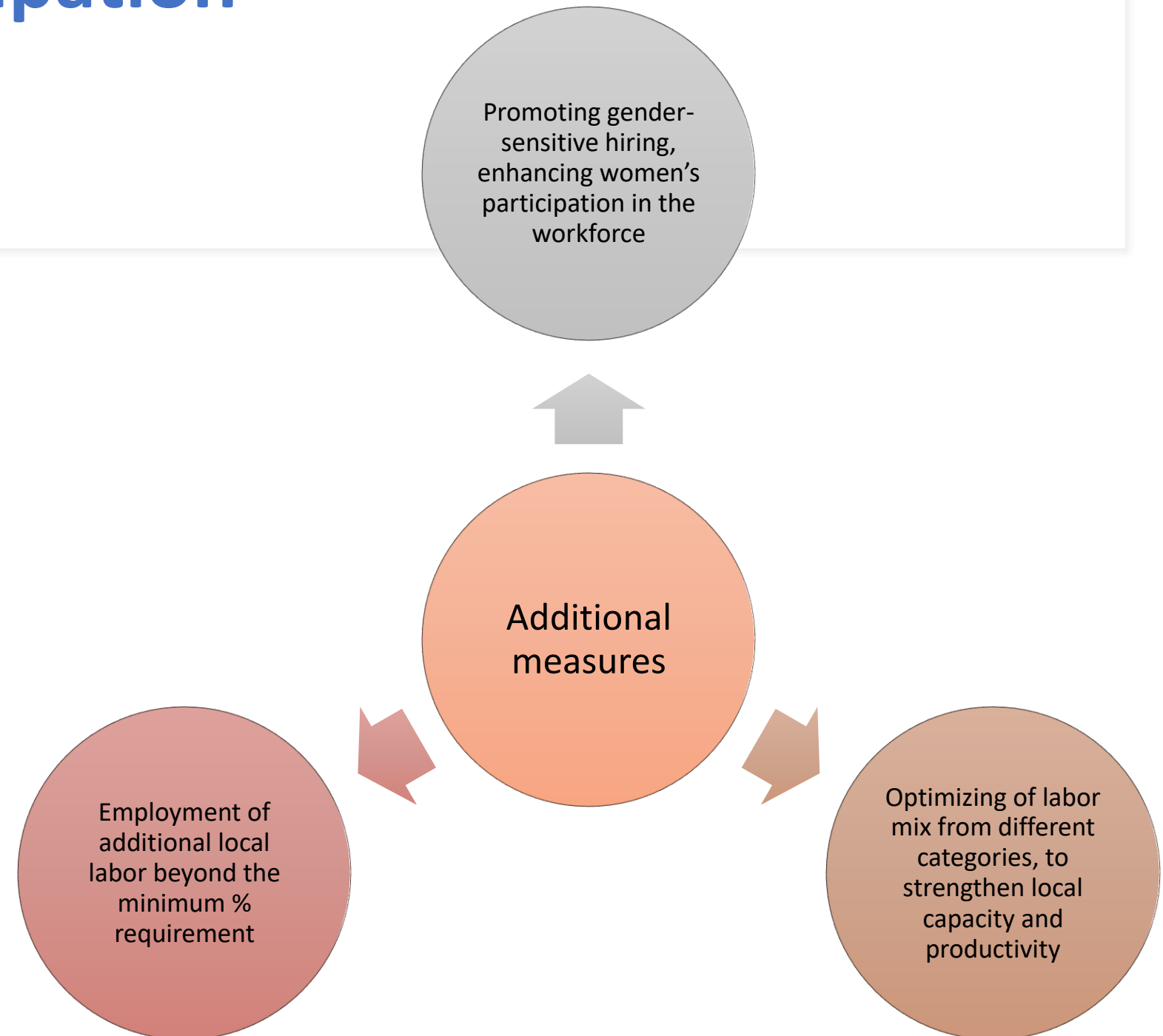
- Lower threshold permitted in certain situations (e.g., SIDS) if justified in procurement strategy and approved by ADB in writing.

Component of Local Participation

Merit Point Criteria (MPC)

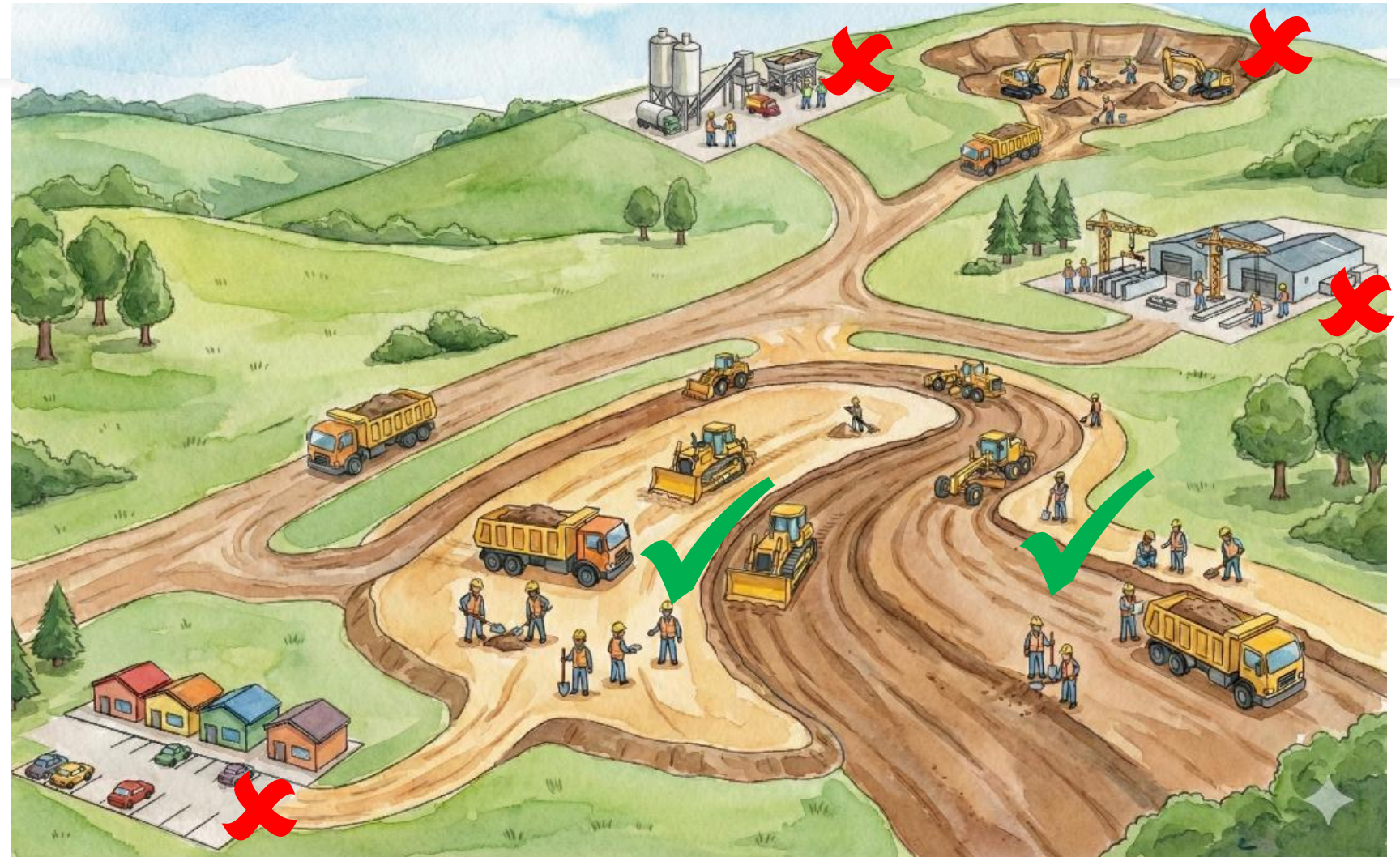
Option to include scoring up to 15 % in MPC evaluation for:

- Other measures of local job creation
- Local skills development proposals



Definition of Local Labor

Local labor refers to workers employed within the borrower's country and deployed to the construction works site



Definition of Local Labor

Locals: Citizens, Permanent Residents
(no temporary visa holders)

Required only during construction period (DNP,
O&M period excluded)

Additional works due to variations – no
additional local labor force to be added. Number
considered at the bid/contract remain consistent

Local labor refers to workers
employed within the borrower's
country and deployed to the
construction works site

Definition of Local Labor

Categories



Unskilled: Workers without formal qualifications or trade experience



Semi-skilled: Workers with vocational training or on-the-job experience (e.g., masons, carpenters, electricians)

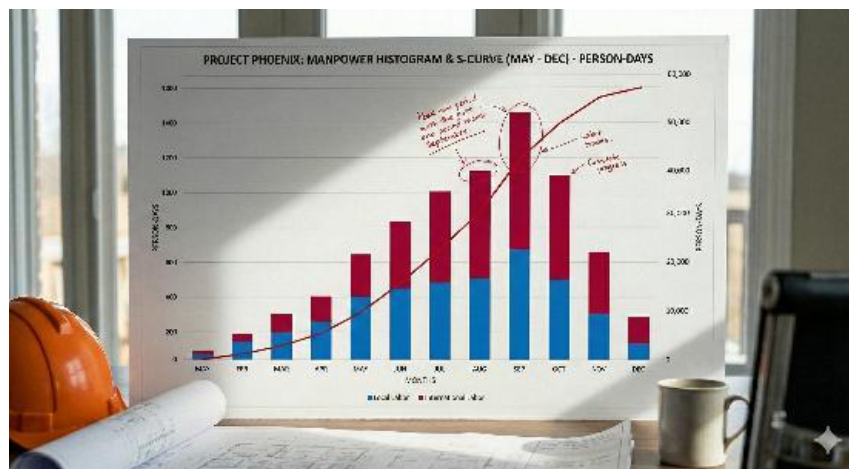
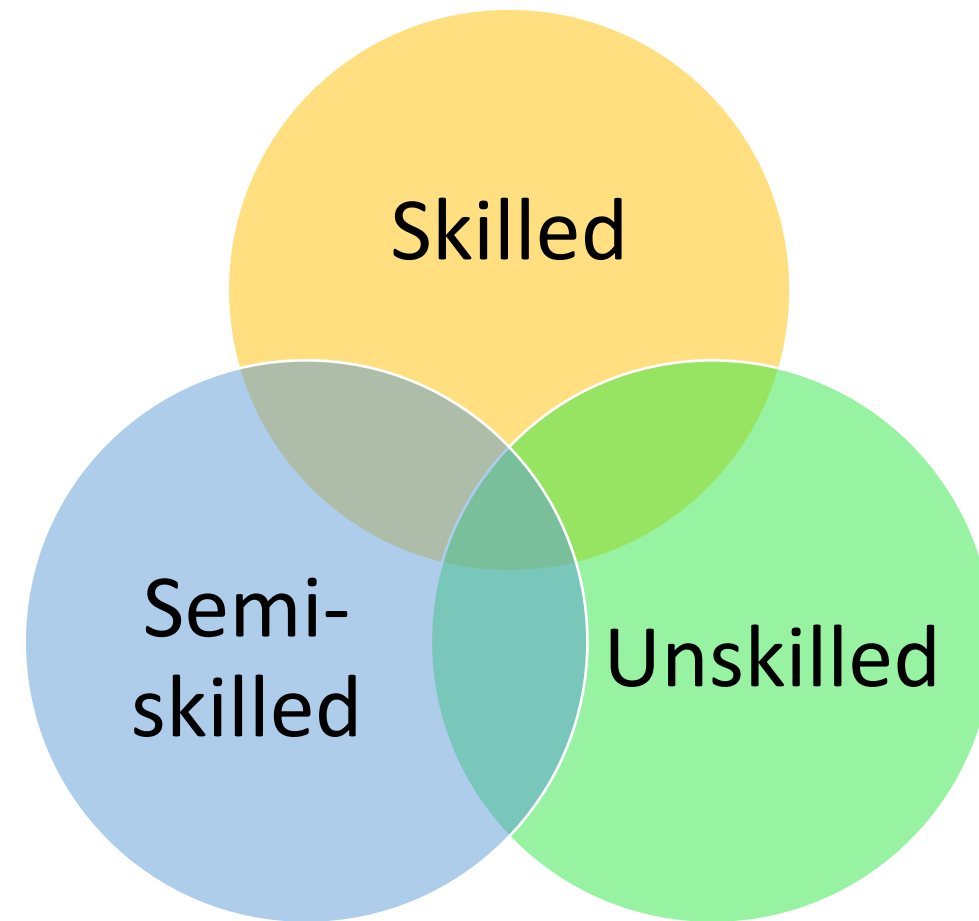


Skilled: Certified professionals or technicians (e.g., engineers, surveyors, supervisors)

Definition of Local Labor

Local labor is required for the total workforce, measured in person-days, and can be met by combining any categories of labor

Measurement



Skills Development



Labor Training Programs

Structured on-the-job training to improve construction skills, safety



Knowledge Transfer:

Promote mentorship and/or workshops to enhance skills among laborers



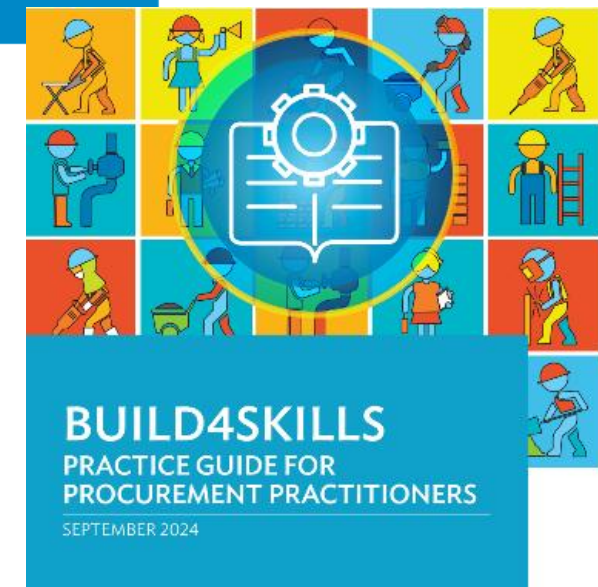
Supplier Training

Provide training to local contractors, subcontractors and suppliers on procurement procedures, bidding processes, and technical topics including innovative construction methodologies.

Skills Development: ADB's Build4Skills



Collaborate with schools for internships and apprenticeships, supported by ADB's Build4Skills program, which encourages on-site training for youth in civil works projects.



Process Flow During Procurement

Procurement Planning

- Identify any constraints of achieving mandatory requirement of minimum 50% local labor.
- Identify the areas for additional measures for local job creation to be included in the MPC.
- Market analysis, Early market engagement.

Draft bid documents

- Qualification criteria: 50% of labor must be local.
- MPC Evaluation criteria: $\leq 15\%$ of total technical score.
- KPI.

Evaluate bids

- Compliance with qualification criteria.
- Level of achievement of MPC criteria.

Contract Award & Implementation

- Integrate local participation into contract conditions.
- Monitoring and reporting.
- Address non-performance, if needed.

Bid Evaluation Stage

Step 1: Pass/Fail

Criteria	Compliance	Documents
Requirement	Single Entity or Joint Venture	Submission Requirements
Responsiveness of the bidder's proposal demonstrating that 50% of the bidder's labor used on the contract will be local.	Must meet requirement	Technical Proposal

- Evaluated on a Pass/Fail basis
 - Bidder states total planned labor requirement and amount dedicated to local labor, in the local participation plan.
 - Only bids meeting the requirement are further evaluated.
 - Calculation by person-months of inputs.

P
a
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Step 2: MPC

Additional Job Creation, Skills Development up to 15% of the total available score

- Other Local Jobs Creation measures
 - Additional Local Labor Participation: Score for participation of local skilled or unskilled labor beyond the mandatory requirement.
 - Proposals for gender sensitive hiring,.
- Skills Development
 - Bidder's proposed measures for capacity building, knowledge transfer

Ref.	MPC Criteria	Weight (example)
LP1	Local Job Creation	5
LP2	Skills Development	10
	Total	15

Bidder's Submission Requirements

Local Participation Plan

Bidders must submit a **Local Participation Plan** demonstrating their commitment to meet the minimum local labor requirement.

The plan will be evaluated for completeness and feasibility. Failure to submit the plan or to commit to the minimum requirement may result in bid rejection.

The Plan may include all or some of the following components:

Execution and Sourcing strategy

Stakeholder Roles and Responsibilities

Risk and Contingency Planning

Organizational Arrangements

Local Job Creation

Skills Development

Additional Development Initiatives

Monitoring and Reporting Mechanism

Submission Requirements (Example)

Form LP1*

Category of Labor	Estimated Number of Local Labor (person-days)	Estimated Total Labor (person-days)	Percentage of Local Labor	Remarks
Skilled Labor				
Semi-skilled Labor				
Unskilled Labor				
Total				

Labor Histogram Template (Attachment to Form LP1)

Month	Skilled (Local)*	Skilled (Foreign)*	Semi-skilled (Local)*	Semi-skilled (Foreign)*	Unskilled (Local)*	Unskilled (Foreign)*	Total Labor *	% Local
Month 1	100	40	80	20	200	30	470	80%
Month 2	120	40	100	20	250	30	560	82%
Month 3	150	50	120	20	300	30	670	83%
Month 4	180	60	140	20	320	40	760	84%
...
...
Average/ Total	...	...	...	...	...	...	...	≥50%

Manpower Deployment Schedule Template (Attachment to Form LP1)

Position	Nationality	No. of Personnel	Start Month	End Month	Duration (months)	Person Days	Remarks
Project Manager	Foreign	1	M1	M18	18	18	Key staff
Site Engineer	Local	2	M1	M18	18	36	Supervision
Foreman	Local	3	M2	M16	15	45	...
Skilled Labor (Mason)	Local	15	M2	M12	11	165	...
Skilled Labor (Carpenter)	Local	12	M3	M10	8	96	...
Semi-skilled Labor	Local	20	M3	M14	12	240	...
Unskilled Labor	Local	40	M3	M14	12	480	...
Equipment Operator	Foreign	2	M2	M14	13	36	...
...
...
Total	...	...	...	...	...	...	...

Submission Requirements (Example)

Form LP2: Relevant to MPC criteria on other local job creation measures

Type of Activity	Estimated Number	Indicative Description of Activities
Example: Local labor above 50% target		
Total local labor force (person -days)	e.g. 7,000	Number can be drawn down from Form LP1
Percentage	e.g. 70%	
Additional labor force above 50% (person -days)	e.g. 2,000	
Percentage above mandatory requirement	20%	
Example: Gender sensitive hiring:		
Total local labor force (person -days)	e.g. 7,000	Number can be drawn down from Form LP1
Male (person -days)	e.g. 6,000	
Female (person -days)	e.g. 1,000	
Female Percentage	17%	
Example: Increased usage of skilled labor		
Total local labor force (person -days)	e.g. 7,000	Number can be drawn down from Form LP1
Skilled Labor	e.g. 500	Number can be drawn down from Form LP1
Semi-skilled Labor	e.g. 1,500	Number can be drawn down from Form LP1
Unskilled Labor	e.g. 5,000	Number can be drawn down from Form LP1
Percentage of skilled labor	e.g. ~ 7%	

Form LP3: Relevant to MPC criteria on Skills Development

Type of Activity	Estimated Number of events	Indicative Description of Activities
Skills Development Programs		e.g., On-the-job training for laborers
Local Partnerships for knowledge transfer		e.g., Collaboration with local universities, apprenticeship programs
Technology Transfer Initiatives		e.g., Use of local materials or adaptation of techniques
Community-Based Training		e.g., Health and safety awareness, site operations basics
Additional Activities (if any)		

Reporting

6 STAFF AND LABOUR 39

- 6.1 Engagement of Staff and Labour
- 6.2 Rates of Wages and Conditions of Labour
- 6.3 Recruitment of Persons
- 6.4 Labour Laws
- 6.5 Working Hours
- 6.6 Facilities for Staff and Labour
- 6.7 Health and Safety of Personnel
- 6.8 Contractor's Superintendence
- 6.9 Contractor's Personnel
- 6.10 Contractor's Records
- 6.11 Disorderly Conduct
- 6.12 Key Personnel



6.10 Contractor's Records

Unless otherwise proposed by the Contractor and agreed by the Engineer, in each progress report under Sub-Clause 4.20 [Progress Reports], the Contractor shall include records of:

- (a) occupations and actual working hours of each class of Contractor's Personnel;
- (b) the type and actual working hours of each of the Contractor's Equipment;
- (c) the types of Temporary Works used;
- (d) the types of Plant installed in the Permanent Works; and
- (e) the quantities and types of Materials used

for each work activity shown in the Programme, at each work location and for each day of work.

e.g. FIDIC RB

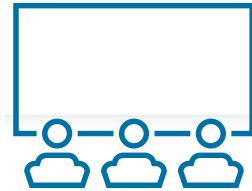
Clause/Sub-Clause	Special Provisions
Sub-Clause 6.1 Engagement of Staff and Labor	<p>The following paragraphs are added at the end of the Sub-Clause:</p> <p>“The Contractor shall provide the Contractor’s Personnel information and documentation that are clear and understandable regarding their terms and conditions of employment. The information and documentation shall set out their rights under relevant labor Laws applicable to the Contractor’s Personnel (which will include any applicable collective agreements), including their rights related to hours of work, wages, overtime, compensation, and benefits, as well as those arising from any requirements in the Specification. The Contractor’s Personnel shall be informed when any material changes to their terms or conditions of employment occur.</p> <p>The Contractor is encouraged, to the extent practicable and reasonable, to employ staff and labor with appropriate qualifications and experience from sources within the Country.”</p>
Sub-Clause 6.23 Employment Records of Workers	<p>The Contractor shall keep complete and accurate records of the employment of labor at the Site. The records shall include the names, ages, genders, hours worked, and wages paid to all workers. These records shall be summarized on a monthly basis and submitted to the Engineer. These records shall be included in the details to be submitted by the Contractor under Sub-Clause 6.10 [Contractor’s Records].</p>

ADB COPA

Reconciliation

Stage	Frequency	Key Reporting Action	Application of remedies
Mobilization	Once	Local Participation Plan (baseline and method)	
Construction	Monthly	Local Labor Utilization Report	Monitoring, recovery planning if required
Midterm Review	As required	Compliance assessment and adjustments (if necessary)	Monitoring, recovery planning if required
Project Completion	Once	Final Local Participation Report	Conduct a final reconciliation and review to determine whether the contractor has fulfilled all requirements, assess performance against the KPIs, and apply contractual damages, if necessary*

Contract Enforcement



Defining KPIs and Financial Terms

Include KPIs in *Particular Conditions of Contract*



Link financial consequence for not meeting KPIs

Cross-reference KPIs to payment provisions



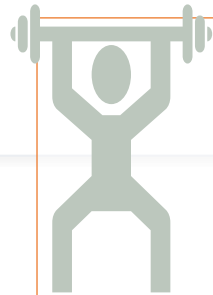
Example

% of Local Labor: Compare the actual proportion of local labor engaged with what was proposed in the bid.

Local Job Creation: Assess local employment opportunities generated against the bidder's original commitments.

Skills Development Programs: Track the number of training sessions and technology transfer initiatives delivered versus those proposed in the bid.

Considerations



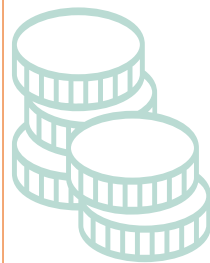
Local labor Capacity

Limited availability or skills, and mismatched quality expectations.



Market Effect

Bidders may be discouraged by added complexity or perceived risk.



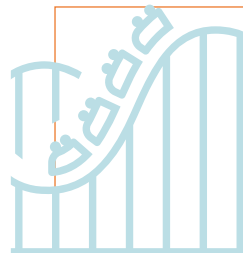
Cost Impact

Local labor may be costlier or require extra training, affecting bid competitiveness.



Monitoring & Verification

Who is counting
Who ensure compliance with the 50% target



Post Contract Changes

What happens if there are changes during construction



Policy Alignment

“local content” laws vs local participation.



Merit Point Criteria (MPC)

Leonardo Storni
Senior Procurement Officer

Main Changes in Directive



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.

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.

Importance of MPC

- **Elevates Quality (as part of VfM and fit-for-purpose approach) by evaluating bids based on operational performance, lifecycle value, and technical merit, not just upfront costs.**
- **Encourages stronger bids by signaling to the market that quality will be rewarded, resulting in better solutions, not just cheaper ones.**
- **Supports fair competition by encouraging all suppliers to meet clearly defined quality standards, leveling the playing field.**
- **Improves transparency and objectivity, reducing subjectivity in evaluations enhancing trust among stakeholders.**
- **Aligns with ADB's priorities, such as climate resilience, sustainable infrastructure, gender inclusion, and innovation.**

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.

Use of MPC to Date

2017

First MPC transaction

2017

- Solomon Islands

2019

- Bangladesh
- Maldives
- Philippines

25

Countries using MPC

2021

- Kiribati
- Nepal
- Tuvalu
- Vanuatu

39x

Growth since 2017

2023

- India
- Mongolia

2025

- Nauru
- Palau



2018

- Sri Lanka

2020

- Fiji
- Tonga

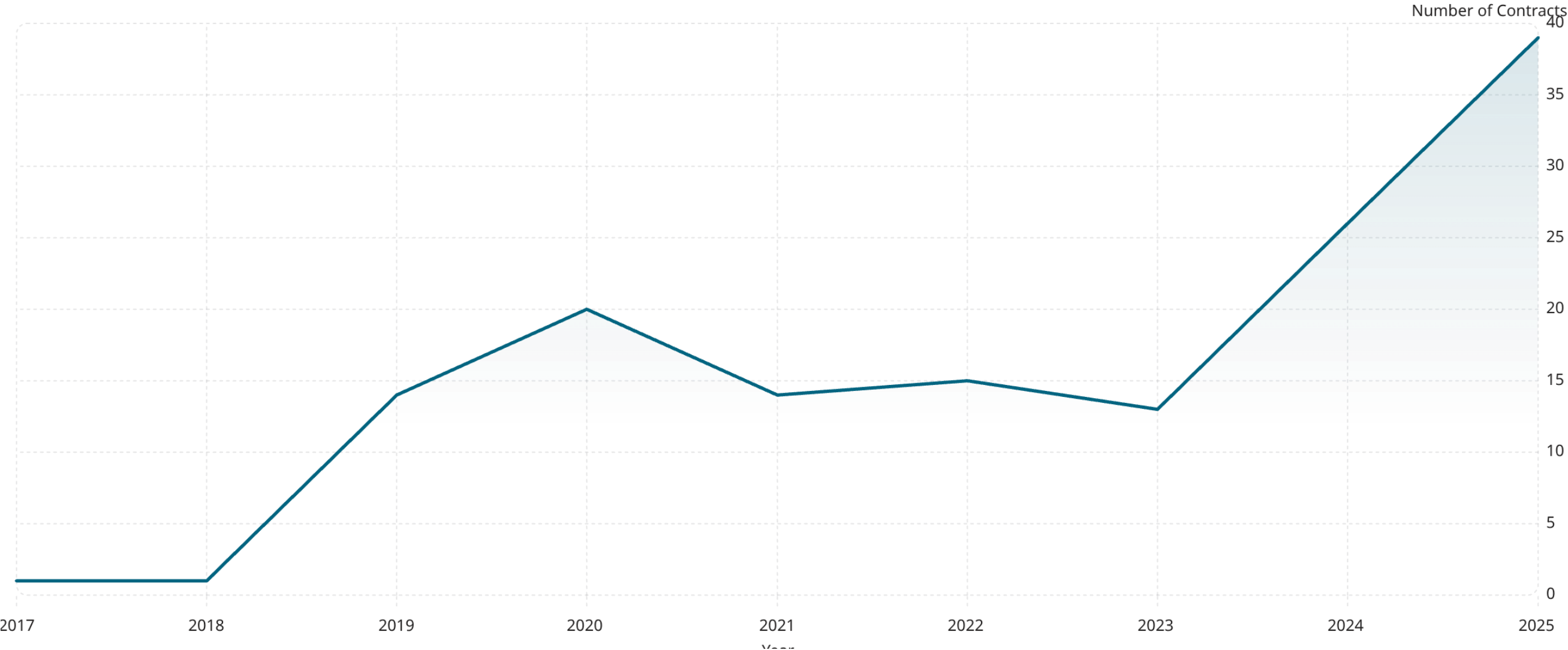
2022

- China, People's Republic of

2024

- Indonesia
- Kazakhstan
- Kyrgyz Republic
- Pakistan
- Papua New Guinea
- Samoa

MPC Contracts by Year (2017-2025)



📌 MPC transactions nearly doubled in 2025 (39 contracts), signaling rapid acceleration in borrower adoption of merit-point criteria.



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

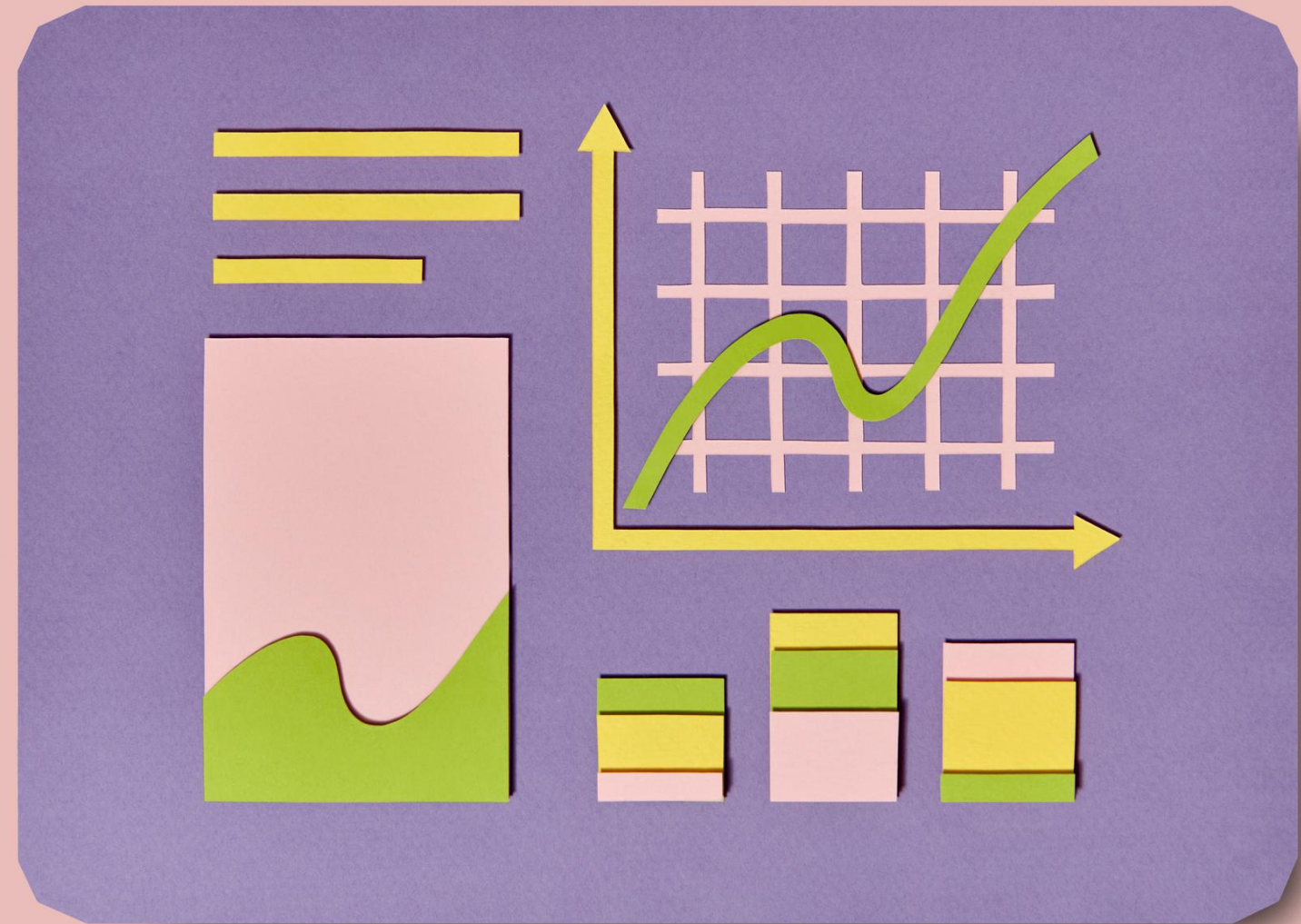
Designing MPC



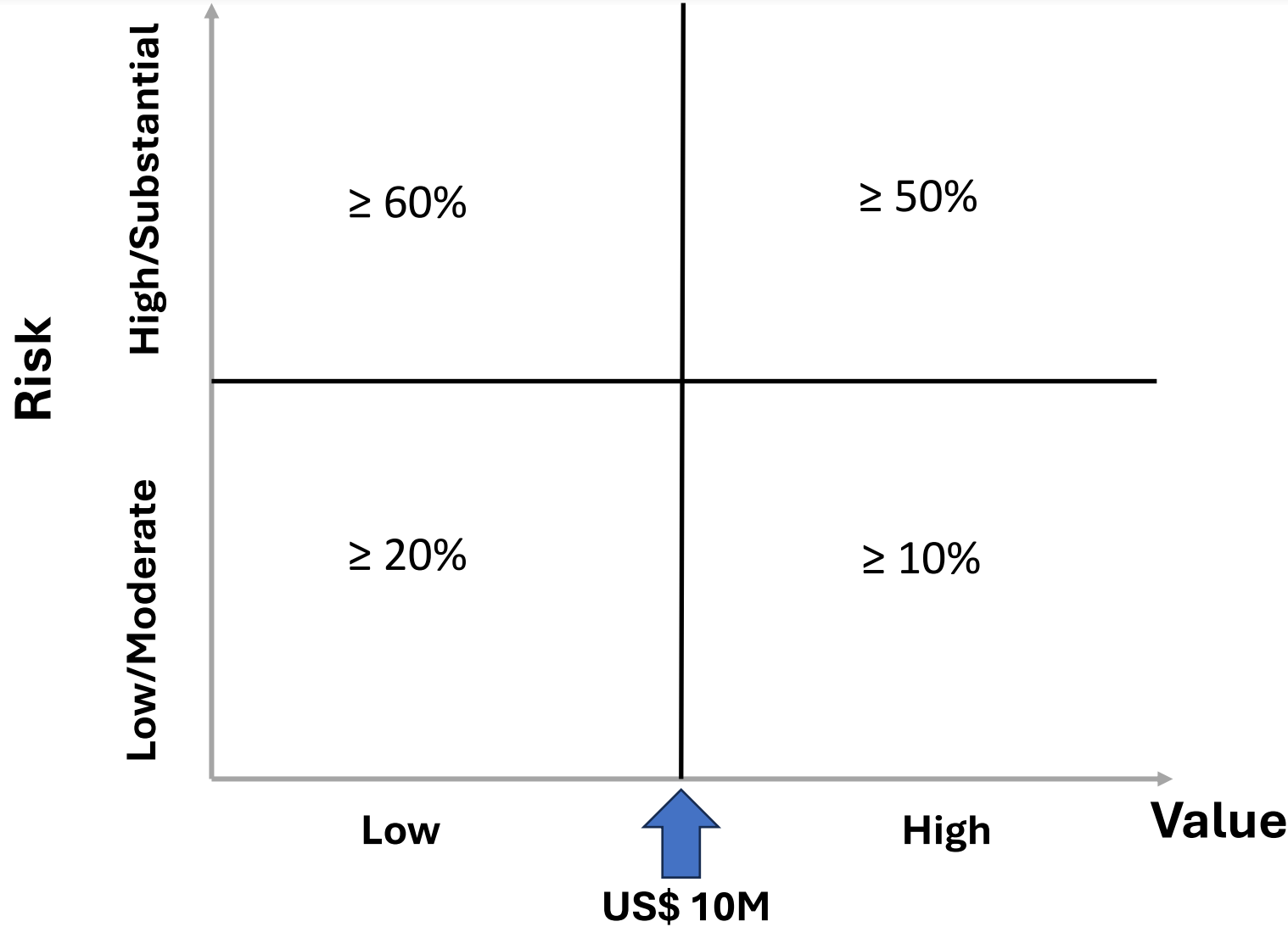
Design Sequence



Technical: Financial Ratio



Technical: Financial Ratio



Minimum Threshold is based on Procurement Risk and Value

Contract valued at \$10M and above is considered as High Value for weighting purposes

Procurement Risk is assessed based on Procurement Risk Framework.

Procurement Risk Classification

Risk Rating	Procurement Capacity	Market Conditions	Contract Complexity	Contract Size	Implementation Environment
Low	<ul style="list-style-type: none"> Borrower has experienced staff with recent track record in contracts of similar scale or complexity Stable resources and staffing levels (minimal turnover) Well-established procurement systems (policies, processes and procedures, structures or tools and technology) Consistent, timely, and compliant performance on past contracts, demonstrating the ability to deliver without additional support 	<ul style="list-style-type: none"> Broad, competitive market with multiple capable bidders available Price stability observed against established estimates Stable and reliable supply chains Minimal market volatility or risk of external disruptions 	<ul style="list-style-type: none"> Use of bidding documents involving straightforward procurement methods Minimal customization to existing ADB standard bid documents Low transaction costs (time, effort, resources), easy coordination, and minimal governance risks 	<ul style="list-style-type: none"> Contract value is less than 5% of the total project cost, or below \$20 million, whichever is lower 	<ul style="list-style-type: none"> Stable, predictable implementation conditions (no major uncertainties) Straightforward coordination with minimal environmental constraints or stakeholders involved (e.g. government agencies, local authorities, providers, donors) No major external dependencies or site constraints affecting execution All necessary permits, utilities, and logistics arrangements are in place before contract award
Moderate	<ul style="list-style-type: none"> Generally adequate capacity, with some experience gaps in contracts of similar scale or complexity Some staff turnover or limited exposure in specific areas Functional procurement systems with occasional inefficiencies or process gaps May require limited, targeted support to maintain compliance with ADB procedures 	<ul style="list-style-type: none"> Competitive market with several capable bidders, though the supplier base is somewhat concentrated Occasional fluctuations in prices or demand (some market volatility) Supply chains are mostly reliable, subject only to minor disruptions or delays Moderate overall volatility (shows some sensitivity to external changes, but it remains manageable) 	<ul style="list-style-type: none"> Bidding documents involving procurement methods with some customization or additional coordination needs¹ May require extra steps such as supplier prequalification or multi-envelope bid procedure Slightly higher transaction and governance burden than low risk (more steps, but still routine) 	<ul style="list-style-type: none"> Contract represents 5-10% of total project cost or \$20-40 million, whichever is lower 	<ul style="list-style-type: none"> Some external dependencies exist (e.g. few third-party stakeholders or minor utility relocations required) Limited site access issues or environmental constraints that are routine and manageable (standard site conditions) A generally conventional implementation environment with no unusual challenges Potential schedule impacts can be mitigated through proper planning and engagement of stakeholders

Procurement Risk Classification

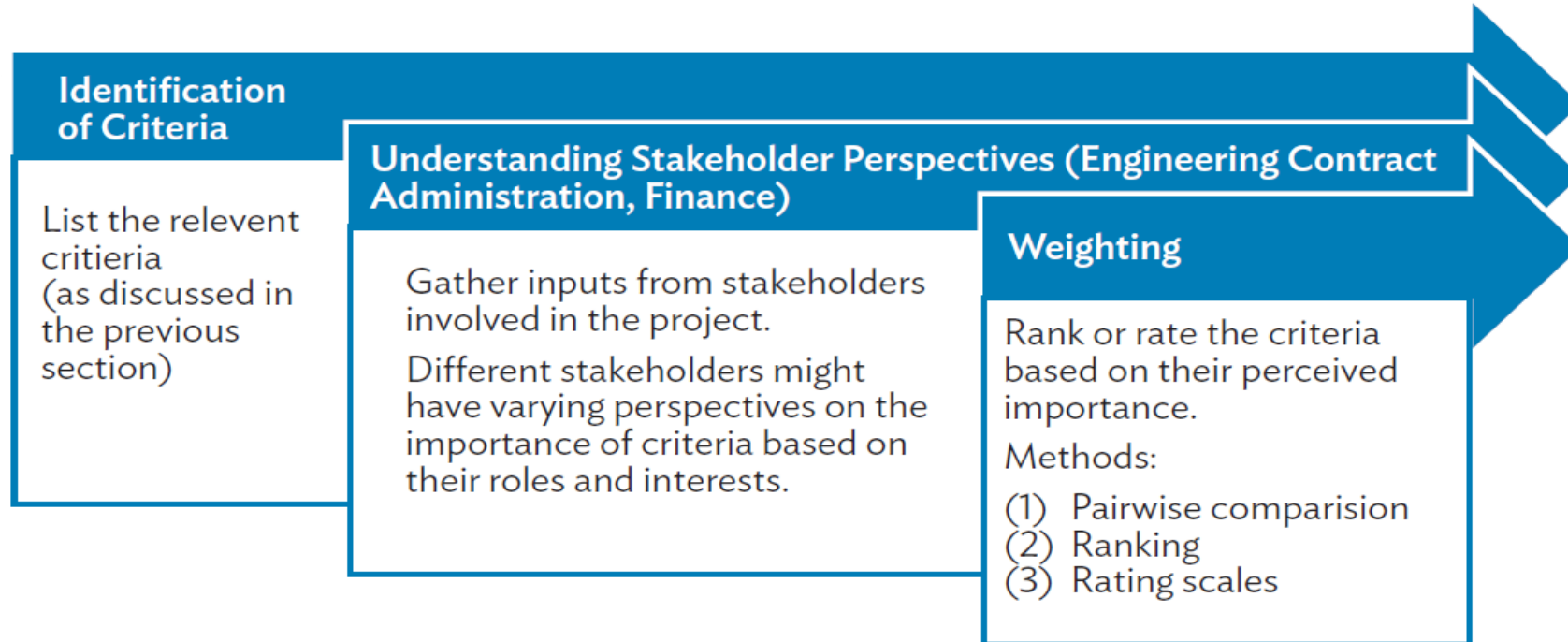
Risk Rating	Procurement Capacity	Market Conditions	Contract Complexity	Contract Size	Implementation Environment
Substantial	<ul style="list-style-type: none"> Limited exposure to contracts of similar scale or complexity Staffing constraints or insufficient experience in key functions Notable weaknesses or lack of integration in procurement systems Requires structured technical and/or oversight support for compliance with ADB procedures 	<ul style="list-style-type: none"> Limited competition, with only a few capable bidders available Price volatility makes it difficult to generate accurate cost estimates. Supply chains are prone to disruption or price volatility due to external dependencies Noticeable risk of cost escalation or procurement delays arising from these market conditions 	<ul style="list-style-type: none"> Complex or specialized bidding documents involving procurement methods requiring adaptation of technical requirements or procedures May involve multiple procurement stages, customized documents, or advanced contract forms Elevated governance, integrity, and compliance risks (greater oversight needed to prevent issues) 	<ul style="list-style-type: none"> Contract represents 10-25% of total project cost or \$40-80 million, whichever is lower 	<ul style="list-style-type: none"> Multiple stakeholders or agencies require coordinated approvals and ongoing alignment Complex permitting requirements or environmental constraints (traffic management, limited work hours, etc.) Use of specialized methods or significant geotechnical challenges, with some dependence on imported materials/equipment Elevated implementation risk requires a coordinated action plan and close supervision to manage interdependencies
High	<ul style="list-style-type: none"> No prior experience with contracts of similar scale or complexity Severely inadequate staffing and institutional resources Procurement systems are largely ineffective or non-operational Major deficiencies requiring significant technical strengthening and intensive oversight 	<ul style="list-style-type: none"> Very limited pool of qualified bidders to choose from causing limited or no competition. Very high price volatility meaning that actual costs are often very far from estimates impacting contract viability. Unstable, unreliable supply chains with frequent or severe disruptions High likelihood of cost escalation, supplier non-performance, or outright procurement failure due to market instability 	<ul style="list-style-type: none"> Large, strategic, or first-of-a-kind bidding documents involving innovative procurement approaches (e.g., competitive dialogue) Highly customized or non-standard contract structures Substantial transaction, governance, and even political risks, intensive oversight and risk management are required at every step 	<ul style="list-style-type: none"> Contract represents over 25% of total project cost, or above \$80 million, whichever is lower 	<ul style="list-style-type: none"> Major external and physical challenges (e.g. multi-agency approvals, large-scale utility relocations, insecure environment (project site may be highly susceptible to natural hazards)) Significant interdependencies with other externally financed contracts or critical equipment that must function together High likelihood of severe delays unless enabling conditions are firmly in place and robust mitigation measures are established before procurement commences

Procurement Risk Classification

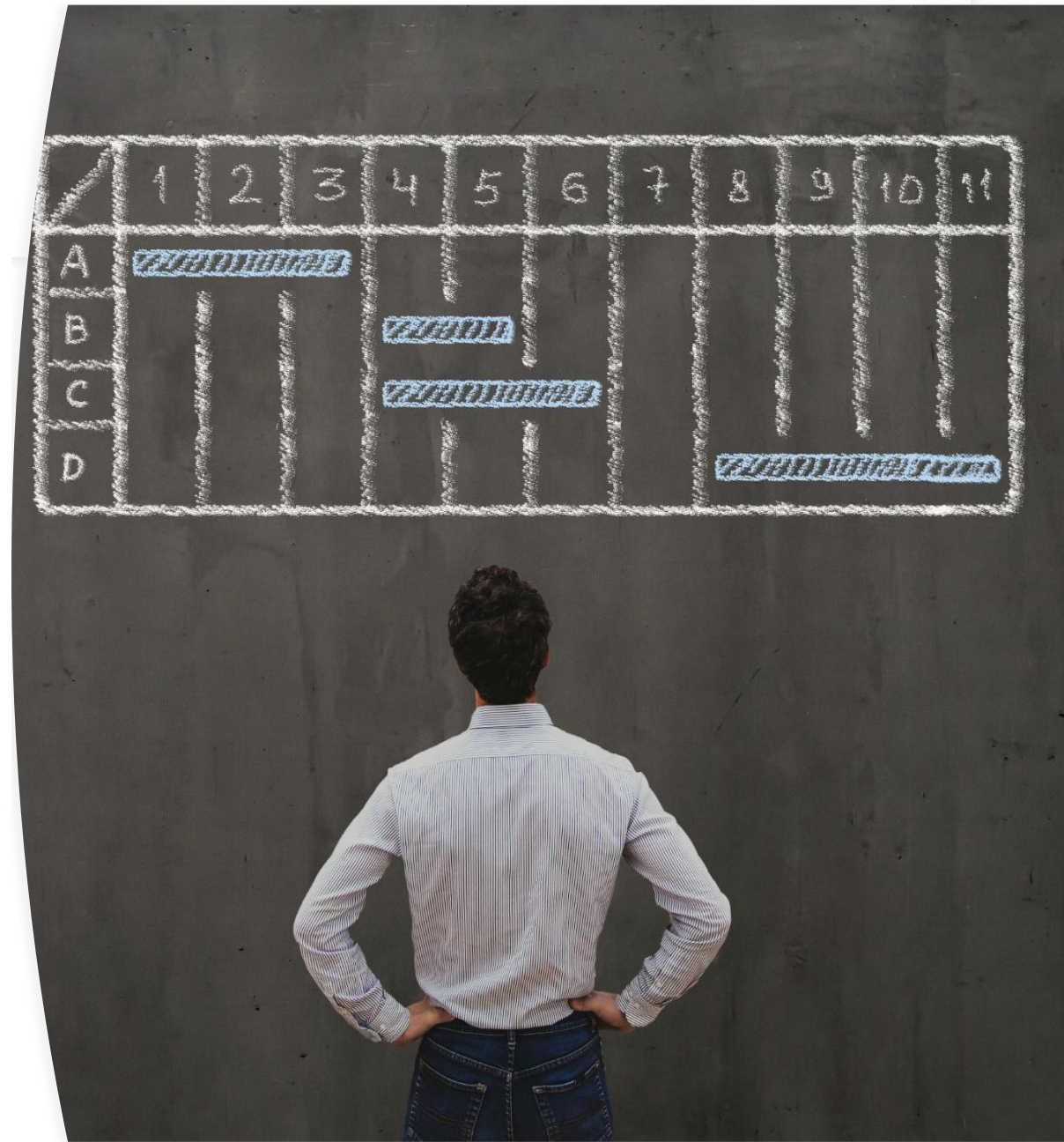
		Borrower Capacity	Market Conditions	Contract Complexity	Contract Size	Implementation Environment	Overall Score	Risk Rating
Project	Contract 1							
	Contract 2	3	3	3	3	3	15	
	Contract 3							
							

Risk Rating	Total Score
Low	5-8
Moderate	9-12
Substantial	13-16
High	17-20

Weighting of Criteria



- **Weightages should be developed for criteria and for sub criteria (if any).**
- **Higher weight on the criteria with the highest importance, and the lower weight for criterion or categories with the least importance.**





Contractual Enforcement

How to ensure the promises are kept

- Incorporation of the bidder's proposal to the contract.
- Implement KPIs with a financial penalty attached to it.
- Update the Specification including important technical promises.
- Minutes of contract clarification/negotiations.
- Signed declarations.

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

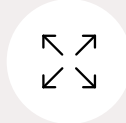
1 July 2026

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.

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

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 borrowers 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 Dialogue	Information Events	Collaborative Platforms
Market sounding sessions	Advance contracting notice	Project roadshows
Feedback on specifications	Request for information	Webinars and virtual briefings
Workshops and roundtables	Q&A portal	Innovation calls and challenges

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.

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.

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

Note: In this publication, "T" refers to United States dollars.

Procurement Guidance Note

EARLY MARKET ENGAGEMENT
PROCUREMENT GUIDANCE NOTE
JANUARY 2026

LOCAL PARTICIPATION
PROCUREMENT GUIDANCE NOTE
JANUARY 2026

MERIT POINT CRITERIA
PROCUREMENT GUIDANCE NOTE
JANUARY 2026

BID EVALUATION
PROCUREMENT GUIDANCE NOTE
JANUARY 2026



Thank you.



Procurement Reform Briefing for contractors ADB & WB



Q&A