Overview of the ADB Procurement Process

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CAREC Central Asia Regional Economic Cooperation

The Government of the Republic of Korea

The Government of the People's Republic of China

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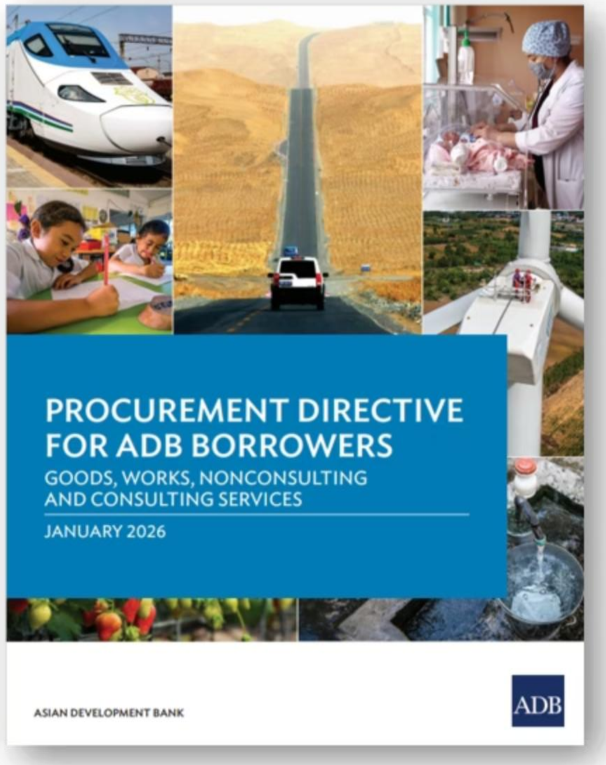

Procurement Directive for ADB Borrowers: *What's Changed?*

Key Updates effective 1 January 2026

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Post-Event Survey

- After this seminar, please complete the survey with the QR code or the link on the right side.
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CAREC CSPPF - Korea Outreach and Business Engagement Event

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 ≥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.

- **Enables suppliers**

  to introduce innovative solutions, enhancing sustainability.

- **Conducted early in the cycle**

  By the borrower during preparation and design phases, before bidding.

- **Produces critical outputs**

  such as market assessments, risk analyses, and procurement strategies, informing project design and bidding to reduce uncertainties.

- **Links with Strategic Procurement Planning (SPP)**

  by validating market assumptions, identifying challenges, and aligning procurement with project goals.

Types of Early Market Engagement

Market Dialogues

- **Market sounding sessions:** Discussions with suppliers to gauge interest, capabilities, and market conditions.
- **Feedback on specifications:** Input from industry experts on draft technical specifications and performance requirements.

Information Tools

- **Advance contracting notices:** Early notifications about upcoming procurement opportunities to alert the market.
- **Request for information (RFI):** Requests for market data and capabilities, without commitment to procurement.

Collaborative Platforms

- **Webinars and virtual briefings:** Online sessions to share project info and engage global suppliers.
- **Innovation calls and challenges:** Programs to solicit novel solutions for specific development challenges.

Site Visits and Demonstrations

- **Factory visits:** Inspections of production facilities to assess manufacturing capabilities and quality control.
- **Product demonstrations:** Suppliers showcasing products or solutions to illustrate functionality and effectiveness.

One-on-One Supplier Meetings

- **Bilateral meetings:** Discussions with individual suppliers to address questions or clarify capabilities.
- **Supplier capability assessments:** Reviews of individual supplier's technical, financial, and managerial capacity.

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.

Local Participation: Key Requirements

Qualification Criteria

- Half of the workforce shall be local labor.
- Lower threshold permitted in certain situations, if justified in SPP report.
- Calculation by person-days of inputs under the contract.

Evaluation Criteria

- Borrowers may give MPC scoring benefits to contractors exceeding the minimum local participation requirement.
- MPC can also support other local participation objectives.

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.

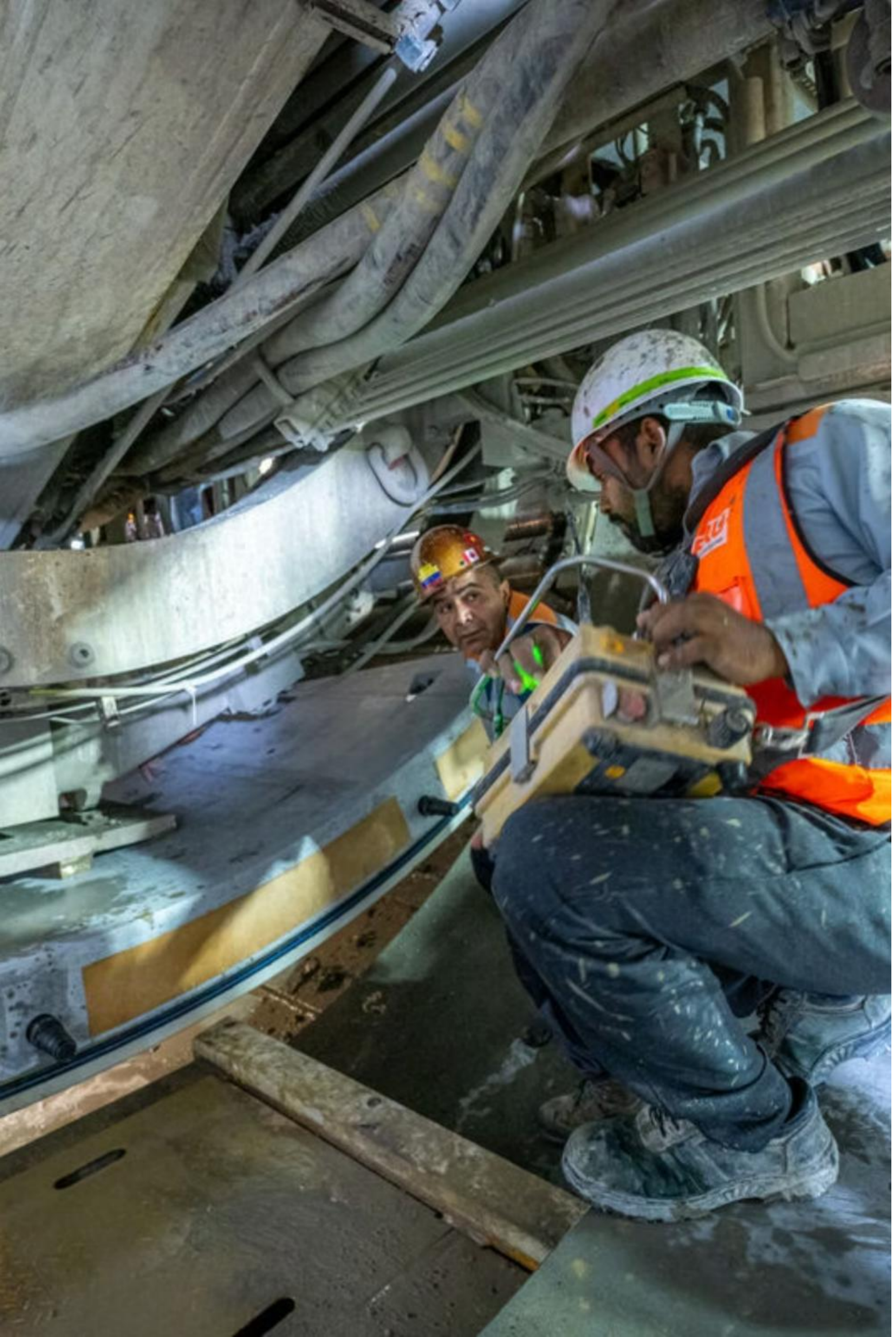
Establishes well-defined and consistent quality standards that level the playing field.

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

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.

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

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.

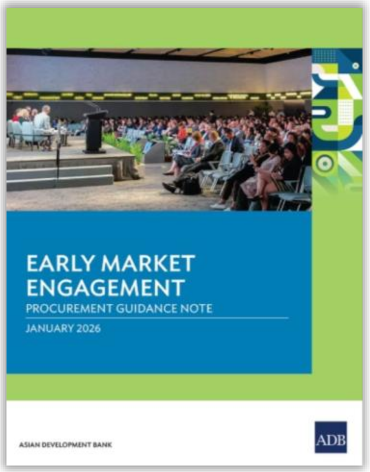
Hands-on Support

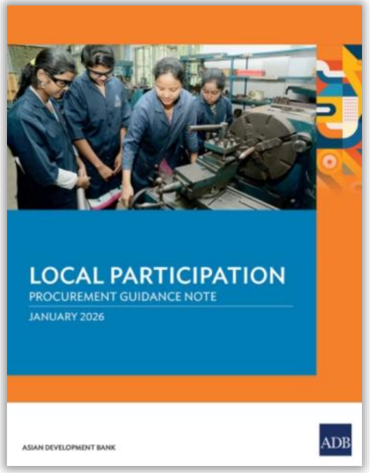
Access to procurement experts pre-qualified under an ADB Framework Agreement, available from Q1 2026.

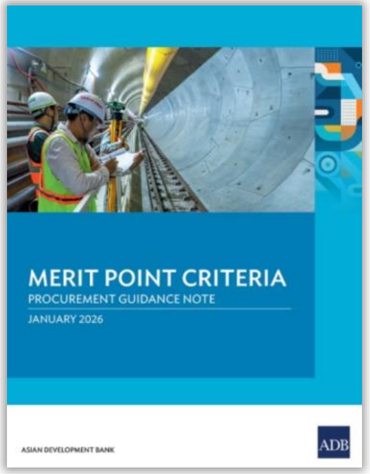
Where to Find Resources

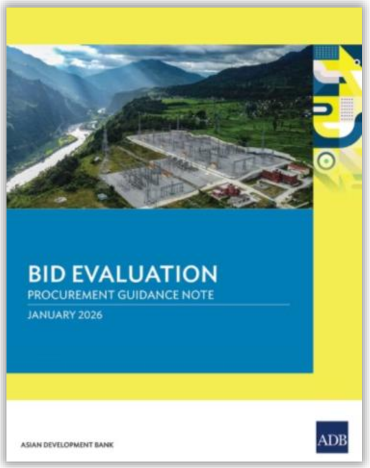
Procurement Snapshot

Procurement Guidance Note









ADB Project Procurement: adb.org/business/project-procurement

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