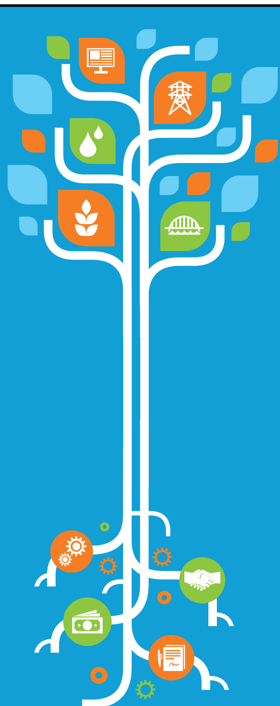

ADB

Understanding ADB Procurement Directive 2026 to Prepare Competitive Bids

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7 August 2026

1

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.

2

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.

3

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.

4

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.

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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.

6

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.

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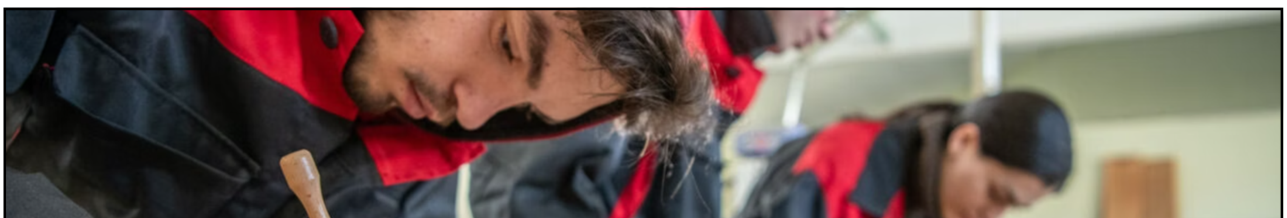

Local Participation: Key Requirements

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.

8

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.

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Use of MPC to Date

2017
First MPC transaction

25
Countries using MPC

39x
Growth since 2017

2017
- Solomon Islands

2018
- Sri Lanka

2019
- Bangladesh
- Maldives
- Philippines

2020
- Fiji
- Tonga

2021
- Kiribati
- Nepal
- Tuvalu
- Vanuatu

2022
- China, People's Republic of

2023
- India
- Mongolia

2024
- Indonesia
- Kazakhstan
- Kyrgyz Republic
- Pakistan
- Papua New Guinea
- Samoa

2025
- Nauru
- Palau

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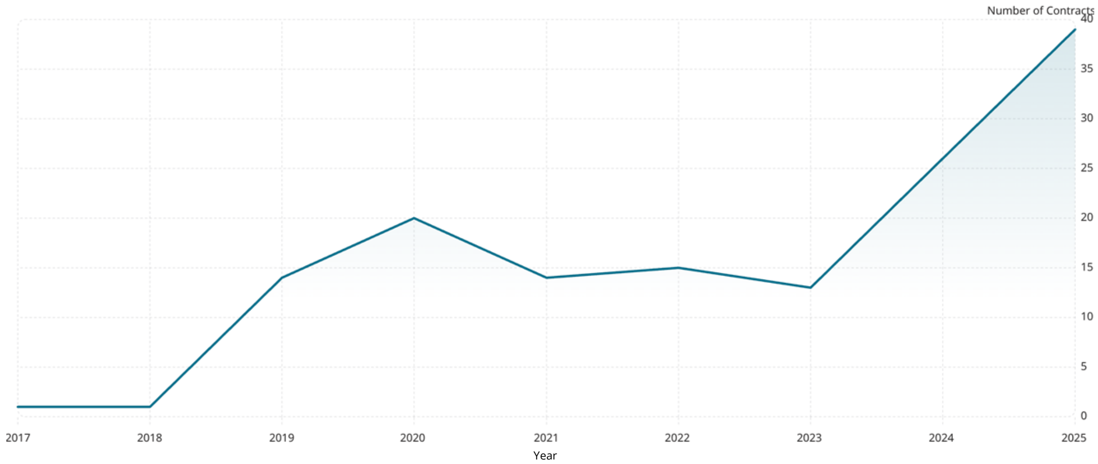
MPC Contracts by Year (2017–2025)



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

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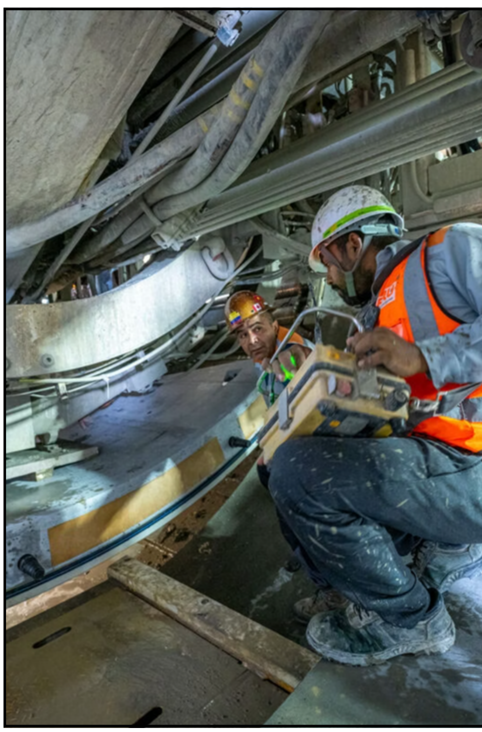

Strategic Impact of MPC

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.

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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

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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

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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.

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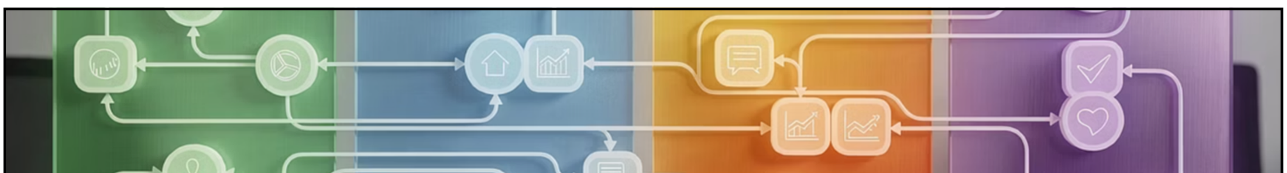

Key Updates to Standard Bidding Documents

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

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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

Part E – Performance Damages (OPTIONAL)

NOTE TO EMPLOYER

The Employer should specify which KPIs are intended to be applied, including the relevant criteria mentioned under MPC in Section 3.

1. General
The Key Performance Indicators (KPIs) listed here shall be assessed and/or measured accordingly and financial deductions shall be applied.

2. Assessment of KPI
Unless explicitly specified otherwise within the KPI (e.g. quantitative KPIs), all qualitative KPIs will be assessed as follows.

KPIs will be assessed and/or measured and then scored according to the established measurement methodology, using four categories: Unsatisfactory, Partially Meeting Expectations, Satisfactory Performance, and Outstanding Performance. Each assessment shall be conducted initially by the Contractor, reported in its monthly (or Final as applicable) payment statements, and shall be reviewed and decided by the Engineer. [*A sample table is given below*]

KPI	Description of KPI	Rating	Justification (the Contractor)	Comments (the Engineer)
1. [...]	[...]	Assign the relevant one from *Unsatisfactory, Partially meeting expectations, Satisfactory performance, Outstanding performance*		
2. [...]	[...]			

Failed to meet KPIs

Section 8 – e.g. from ADB SBDs

Sub-Clause 14.3 Application for Interim Payment	Sub-paragraph (vi) is replaced with the following: "(vi) any other additions and/or deductions that have become due under the Contract or otherwise, including those under Sub-Clause 3.7 [*Agreement or Determination*], any amount due to the Contractor under Sub-Clause 21.4.3 (i) and any reimbursement due to the Contractor under Sub-Clause 9.5 of the General Conditions of the DAAB Agreement." Further the Contractor is required to submit an assessment of the Contractor's compliance with requirements assessed and/or measured based on the KPIs.
Sub-Clause 14.6 Issue of IPC	The following is added at the end of Sub-Clause 14.6: If the Contractor fails to meet any requirements assessed using the Key Performance Indicators (KPI) set out in Part E – Performance Damages and/or Part F – Bonuses, of the Particular Conditions, if applicable, as determined by the Engineer, necessary adjustments to the payments shall be made.

Measures under FIDIC

3.5

Engineer's Instructions

The Engineer may issue to the Contractor (at any time) instructions which may be necessary for the execution of the Works, all in accordance with the Contract. The Contractor shall only take instructions from the Engineer, or from the Engineer's Representative (if appointed) or an assistant to whom the appropriate authority to give instruction has been delegated under Sub-Clause 3.4 [*Delegation by the Engineer*].

Subject to the following provisions of this Sub-Clause, the Contractor shall comply with the instructions given by the Engineer or the Engineer's Representative (if appointed) or delegated assistant, on any matter related to the Contract.

If an instruction states that it constitutes a Variation, Sub-Clause 13.3.1 [*Variation by Instruction*] shall apply.

If not so stated, and the Contractor considers that the instruction:

(a) constitutes a Variation (or involves work that is already part of an existing Variation); or

(b) does not comply with applicable Laws or will reduce the safety of the Works or is technically impossible

the Contractor shall immediately, and before commencing any work related to the instruction, give a Notice to the Engineer with reasons. If the Engineer does not respond within 7 days after receiving this Notice, by giving a Notice confirming, reversing or varying the instruction, the Engineer shall be deemed to have revoked the instruction. Otherwise the Contractor shall comply with and be bound by the terms of the Engineer's response.

Sub-Clause 3.5 (Instructions of the Engineer)

- **Provision:**
  - Engineer may issue instructions necessary for execution of the Works.
- **Remedy:**
  - Require the Contractor to correct non-conforming work
  - Direct compliance with Contract requirements
  - Failure to comply may later justify Employer remedies (e.g., cost recovery, termination)

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Measures under FIDIC

General Failure to Comply with Obligations

Sub-Clause 15.1 – Notice to Correct

- **Provision:**
  Engineer may issue a *Notice to Correct* specifying the failure and requiring remedy within a reasonable time.
- **Remedy if not corrected:**
  Failure may escalate to:
  - Sub-Clause 15.2 (Termination)
  - Performance Security call
  - Other contractual remedies

15 Termination by Employer

15.1

Notice to Correct

If the Contractor fails to carry out any obligation under the Contract the Engineer may, by giving a Notice to the Contractor, require the Contractor to make good the failure and to remedy it within a specified time ("Notice to Correct" in these Conditions).

The Notice to Correct shall:

(a) describe the Contractor's failure;

(b) state the Sub-Clause and/or provisions of the Contract under which the Contractor has the obligation; and

(c) specify the time within which the Contractor shall remedy the failure, which shall be reasonable, taking due regard of the nature of the failure and the work and/or other action required to remedy it.

After receiving a Notice to Correct the Contractor shall immediately respond by giving a Notice to the Engineer describing the measures the Contractor will take to remedy the failure, and stating the date on which such measures will be commenced in order to comply with the time specified in the Notice to Correct.

The time specified in the Notice to Correct shall not imply any extension of the Time for Completion.

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Debriefing

What to disclose during debriefing

- Debriefing shall only be **conducted during standstill period** (if it applies) or after contract award upon request from bidder
- Overall score (technical and financial)
- Technical evaluation summary: **Highlight strengths and weaknesses** of their proposal based on the predefined criteria (e.g., methodology, staffing, experience)
- **Financial score**: Indicate whether their price was competitive and how it affected the combined score
- Final ranking: **Inform** bidders of their position (e.g., 2nd out of 5 bidders)
- Use the exact wording of the evaluation criteria to explain shortcomings. Refer to documented evaluation records
- Focus only on the unsuccessful bidder's submission and performance.

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Guidance & Support

- Guidance on MPC, LP, EME and Bid Evaluation
- Updated Standard Bidding Documents
- Revamped ADB Project Procurement Webpage
- Hands-on support to Borrowers
- Comprehensive training rollout

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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.

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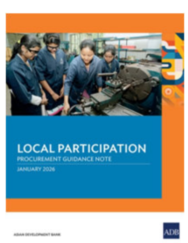
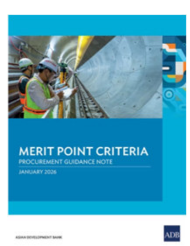
Where to Find Resources

Procurement Snapshot

Procurement Guidance Note





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

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Questions ?

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ADB

Thank You

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