

# Project Administration Instructions

PAI 3.08  
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## BID SECURITY

1. For international competitive bidding, limited international bidding, and variations such as repeat order bidding a bid security may, at the option of the executing agency (EA), be required to secure the validity of the bid during the period specified in the bidding documents. Such a security, which will be in the form of a certified check, letter of credit, or a guarantee from a reputable bank is to protect the EA against loss or damage resulting from any bidders' premature withdrawal, refusal to sign the contract, or failure to put up performance security.
2. ADB ensures that the EA does not place unjustifiable restrictions (such as requiring that the bid security be issued only through local banks in the borrower's country) on the requirement for bid security. Such requirements could discourage prospective foreign bidders because of
  - the inconvenience or delay involved in issuing a bid security because of certain requirements or procedures stipulated by local banks;
  - the absence of a customary relationship between the foreign bidder and local banks, which could create uncertainty for the bidder; and
  - the possible higher charges imposed by local banks.
3. Bidders are permitted to provide bid securities from banks of their own choice as long as the bank's reliability and soundness are not in doubt.
4. Bid security can be specified as a minimum percentage of the bidders bid price (normally about 2%), or a fixed amount (normally about 2% of the estimated contract value). Specifying a fixed amount is preferable as the amount of the security would then not disclose the bid price.
5. For single-stage, two-envelope; and two-stage, two-envelope bidding procedures, the bid security must be submitted along with the envelope containing the technical proposal.
6. For two-stage bidding procedures, a fixed-amount bid security is required if it is to be submitted with the technical proposal. Alternatively, the bid security may be required to be submitted along with the price proposal.
7. At the option of the EA, bid security may also be required for local competitive bidding, but may be in the form of a bid security issued by local banks.
8. In lieu of bid security, a process may be put in place to suspend bidders from subsequent bidding if they fail to sign a contract awarded to them. The procedures for the suspension should be explained in the bidding documents, but will normally require the bidder to sign a declaration agreeing to the arrangement.