

# Project Administration Instructions

PAI 3.02  
Revised in June 2022  
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## PREPARATORY WORK FOR PROCUREMENT

### A. Introduction

1. In accordance with PAI 1.01 (Initial Project Administration Activities), project divisions and processing missions should complete the following activities in relation to procurement prior to the commencement of loan and/or grant negotiations:

- executing agency (EA)<sup>1</sup> procurement risk assessment;
- classification of the project from the procurement perspective as Category A<sup>2</sup> or category B;
- procurement plan for the entire project with specific details provided for at least the first 18 months of implementation;
- project-specific master bidding documents<sup>3</sup>; and
- determination of suitability for advance contracting and retroactive financing.

These activities provide inputs to the procurement plan that in turn is a key element of the project administration manual (PAM) which is the subject of PAI 1.05.

2. As part of these activities, project preparatory missions are strongly encouraged to undertake an assessment of the local contracting and relevant manufacturing industries in order to help define the capacity available for participating in the procurement of goods and works contracts for the project and for confirming or refining thresholds for using international competitive bidding (ICB). If necessary, preparatory missions may organize road shows to assess local and international market conditions for the procurement. These assessments will provide the basis for preparing the procurement strategy to be adopted for a project and will lead to the preparation of suitable qualification requirements to be incorporated in the bidding documents.

### B. Setting Procurement Method and Procurement Supervision Thresholds

3. Country and sector/agency procurement risk assessments are undertaken during country partnership strategy (CPS) preparation and may, if required, be undertaken separately to the CPS<sup>4</sup>. The assessments are key to establishing appropriate country, and where applicable, sector/agency procurement supervision thresholds. In addition, during the assessments, a review of the market and other factors are undertaken to confirm or establish procurement method thresholds.

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<sup>1</sup> The term shall also include the implementing agency or IA throughout the rest of these PAIs.

<sup>2</sup> For high risk and/or complex projects under category A, PPFDF shall join the project team and provide support during project processing, including participation in missions, supporting project preparatory technical assistance and/or staff consultants and supporting preparation of the procurement plan.

<sup>3</sup> The status of completion of the MBDs shall be reported in the SRM/MRM and, if not completed, the issues paper shall state the reasons.

<sup>4</sup> For Pacific countries that do not have full CPS, country procurement risk shall be determined during the preparation of the Pacific approach document or during project processing.

Steps involved and the Procurement Governance Framework are shown in Appendix 1.

### Procurement Method Thresholds

4. Procurement method thresholds guide the appropriate contract packaging during project preparation, i.e., the ICB threshold or NCB contract ceiling for goods, works and plant contracts to be included in the procurement plan. The nominal levels of current procurement method thresholds are provided in PAI 3.03 International Competitive Bidding, Appendix 2. These procurement method thresholds shall apply to all ongoing and new projects subject to agreement between ADB and EAs.

### Procurement Supervision Thresholds

5. At project level, the country and sector/agency procurement risk assessments<sup>5</sup> are used as reference by project preparatory missions in assessing an EA's capacity to undertake the procurement envisaged under a project and this is reflected in the procurement plan.

6. For higher risk procurement, prior review will apply for most contracts and involves ADB reviewing and providing a no objection prior to each step in the procurement process. The threshold for prior review varies, depending on the level of procurement risk established for the country or sector/agency<sup>6</sup>. The table below provides the range of prior review thresholds.

#### Prior Review Contract Thresholds (USD Millions)<sup>7</sup>

Contract Type	Low Risk	Medium Risk	High Risk
Works/Plant/Goods	Up to \$20	Up to \$10	Up to \$5
Direct Contract	All	All	All

In each risk category, the higher end of the threshold range will normally be applied to large countries but this will normally be reduced for small countries<sup>8</sup>. Further, some high risk countries with higher probability of misprocurement and limited ability to finance contracts themselves, shall not have thresholds more than \$1.0 million. On the other hand, in exceptional cases for low risk, high capacity EAs, thresholds may be set even higher with PPF's approval up to the PC approval threshold (see PAI 3.10). The project specific threshold to be set shall reflect the risk perception for the country, sector/agency and the project. The procurement plan will set out the actual review arrangement to apply to any specific contract. At the procurement plan stage, any new information including more recent procurement experience with the EA may provide a basis to adjust the prior review threshold. The thresholds for goods procurement at project level may need to be set lower, considering that the nature and complexity of goods contracts varies widely<sup>9</sup>. While contract sizes

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<sup>5</sup> Staff shall refer to the Guide on Assessing Country and Sector/Agency Procurement Risk for a complete description of procurement risk assessment.

<sup>6</sup> Prior to CPS procurement risk assessments being undertaken, PPF has set interim risk ratings for all developing member countries (DMCs).

<sup>7</sup> In communicating to the Borrower the result of procurement risk assessments carried out during CPS preparation, the following terminology may be used: (a) Less Developed procurement systems (High Risk); (b) Developing procurement systems (Medium Risk); and (c) Developed procurement systems (Low Risk).

<sup>8</sup> Small countries include countries under PARD, and BHU, CAM, LAO, MYA, MLD and KGZ. Other DMCs are considered large, but thresholds are subject to revision in the procurement plan including lowering them if necessary.

<sup>9</sup> For example, the contract for the procurement of conductors may be large but both bidding criteria and bid evaluation may be simple, while the procurement of SCADA equipment may involve a small contract but complicated bidding documents and bid evaluation are required.

may be smaller, the amount of effort in setting evaluation and qualification criteria and in evaluating proposals may be complicated.

7. Below the prior review threshold, there are two post review options: (i) normal post review procedure; and (ii) post review (sampling) for low risk, low value, and low impact procurement in which country procurement systems may be used.

8. Where the risk assessments have established that the procurement practices of the EA based on the national laws, rules and regulations are acceptable, post review (sampling) may be used for contracts with a ceiling from zero up to \$5.0 million. The upper limit of contract sizes to be covered by post review sampling shall be based on the value of contracts normally awarded by the EA in recent years using the national procurement laws, rules and regulations. This ceiling, however, shall be below the ICB threshold. Where post review (sampling) will be used, the arrangement will be clearly stated in the main text of the Report and Recommendation of the President (RRP), and the sampling methodology will also be indicated in the procurement plan. See Part L of this PAI for further discussion of prior and post review procedures.

9. For on-going projects, the current thresholds continue to be effective until revised in the procurement plan.

### **C. Project Procurement-Related Review**

10. A project procurement-related review (PPRR) may have been undertaken by OAI for similar projects in the same sector. Common project implementation and management issues and lessons learned and identified in the PPRR should be considered in the EA's assessment. Visit <http://www.adb.org/site/integrity/project-procurement-related-review> for PPRR reports.

11. A PPRR determines whether the procurement for contracts awarded in ADB-related projects followed the ADB loan agreement and guidelines. It assesses whether contracts were implemented in accordance with contract specifications, ensures ADB funds were used for their intended purpose, and helps prevent and detect integrity violations, fraud, corruption, or abuse.

### **D. Industry Assessment and Procurement Strategy**

12. The objective of industry assessments, which may be derived from discussions with the local chamber of commerce, specific industry associations, or a review of industry reports, is to be able to consider the sizes of works contracts that local contractors may competitively bid for and supply contracts that may be filled by local suppliers and industries into the preparation of the procurement plan. If necessary, preparatory missions may organize road shows to assess the local and international market interest for the procurement. An appreciation of local industry capabilities will also help the processing staff understand and assess whether the qualification criteria that an EA will draw up are reasonable or not, and whether they will encourage the participation of qualified and eligible bidders for optimal competition.

13. Based on: (a) the understanding of goods and works contracts by local firms, (b) the participation of foreign suppliers and contractors in procurement in the borrower's country, and (c) the capacity of the EA, the processing staff shall formulate a procurement strategy with the EA, to provide the basis for preparing the procurement plan. The strategy shall define what procurement will be suitable for ICB and what may be reserved for NCB — the packaging of

contracts. Staff shall note that when procuring works or plant is required, the strategy shall also define the extent of supervisory support needed from the EA which will also help determine whether single-responsibility contracts are in order.

#### **E. Packaging Contracts**

14. A given project will normally involve one or a combination of supply contracts, works contracts, or a contract for the supply and installation of an entire production facility that is referred to as “plant” in the guidelines.

- A supply contract involves the supply and delivery of equipment or materials to a project location (or locations under the same bid), and may also include related services such as installation, testing and commissioning, and training necessary to meet the overall scope.
- A works contract involves constructing or building engineered structures such as roads, bridges, or dams.
- A contract for plant may comprise various items of equipment, machinery, and materials, including certain construction works and is usually a single responsibility contract.

15. The type of contract is in the procurement plan and will help in drawing up the project timetable and designing support and/or training for the EA, based on the assessment of its capacity. More information to assist in determining the types of contracts is found in PAI 3.03.

16. The size of each type of contract will be matched against the assessed capabilities of domestic suppliers and contractors as well as the history of foreign participation in procurement in the borrower’s country in order to determine which specific contracts or packages are suitable for ICB and NCB.

17. Other considerations in determining the contracts to be included in the procurement plan are:

- making contract size sufficiently attractive to contractors/suppliers in the market;
- allowing manufacturers to bid directly;
- including equipment of the same or related nature in a single contract; and
- separating contracts for works to be carried out in different locations (even if they are of a similar nature).

## F. Procurement Plan

### Preparation

18. EAs are required to plan for the procurement required to carry out a project during the entire period of implementation (with specific details for at least the first 18 months), usually together with the processing mission. The agreed procurement plan is the output, and it shall be completed prior to loan/grant negotiations, will be annexed to the minutes of the loan negotiations, and will be part of the PAM or the facility administration manual (FAM) for a multitranche financing facility (MFF). The review and approval of the initial procurement plan is part of the review and approval of the RRP<sup>10</sup> that has the PAM as a linked document. For a full description of procurement planning, refer to the PPFD Procurement Plan Guide. The procurement plan template is provided as Appendix 2 to this PAI.

19. The purposes of the procurement plan are to:

- (i) provide a single point of reference for procurement oversight and supervision;
- (ii) create a tool that allows for process and review thresholds to be changed if necessary, over the lifetime of a project;
- (iii) focus the EA on the need to plan and manage procurement;
- (iv) provide a synopsis of the procurement opportunities to providers of goods, works, and consulting services; and
- (v) increase transparency.

20. Staff shall note that at a minimum, the procurement plan should provide details of the following:

- (i) a brief description of goods, works, or consultant services to be procured;
- (ii) the method of procurement;
- (iii) contract cost estimates;
- (iv) project threshold values;
- (v) expected advertisement dates;
- (vi) ADB review procedures; and
- (vii) other critical milestones.

For sector projects, MFFs, and other projects that include subprojects to be finalized during project implementation, the procurement plan may provide indicative procurement packages of goods and works or consultant services, related threshold values, and estimated numbers of contracts. For an MFF, the initial procurement plan is for the first tranche or first project, and shall be as detailed as a regular procurement plan. Subsequent projects under an MFF shall have their own separate procurement plans attached to the periodic financing request (PFR) (following Operations Manual D14 OP para. 20). For a sector project, the initial procurement plan will cover the first few subprojects in some detail, but could largely be indicative.

21. Staff should note that much of the information presented in the procurement plan depends

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<sup>10</sup> The RRP includes (or may mean) the project document that the approving authority of loans and grants refers to when considering such loans and grants, and may include the Grant Assistance Report, additional cofinancing (following Operations Manual H5 OP para 59) or periodic financing requests (following Operations Manual D14 OP para 20).

on the estimated costs of the project components and proposed contract packages. These estimates, therefore, need to be based on detailed, accurate, and reliable quantities and unit rates, as accurate cost estimates are essential to an effective procurement plan and will reduce the risk of unsuccessful procurement and corresponding delay in project implementation. The value of cost updates each time the procurement plan is updated or modified relies on the accuracy of the initial estimates.

22. The plan shall also provide details of the prior review, post review (whether normal or sampling), and where applicable, supervisory arrangements initially determined in the procurement risk assessment. Post review sampling adopts a stratified systematic sampling method, and the procurement plan shall indicate the stratification into procurement methods – competitive international, competitive national, shopping – and systematic sampling of, for example, every 3rd, 4th or 5th contract that is to be submitted within a stratum. The sample size should aim at capturing at least 50% to 80% of the total value of contracts and 20% of the total number of those contracts. A guide on post review sampling is provided in Appendix 3. The EA (or ADB) may propose changes to these review arrangements during project implementation to reflect the changes in capacity, subject to ADB approval.

### **Procurement Review System (PRS)**

23. An end-to-end online system<sup>11</sup> to review and monitor all procurement activities for EA-administered loans and grants has been developed by ADB and is called the Procurement Review System (PRS). The online creation and approval of the initial procurement plan shall also initialize the monitoring of contracts under PRS. PRS enables preparing, updating and disclosure of procurement plans consistent with ADB prescribed templates. Detailed instructions for preparing and updating procurement plans are in the PRS user's manual and quick reference guides.<sup>12</sup>

### **Updating**

24. Within 1 year after the date of loan effectiveness, the EA should submit a revised procurement plan for ADB approval that captures any change to all ongoing procurement and planned procurement for the entire project. The plan shall be updated on the same basis at least annually or as the need arises for the duration of the project. The update shall always include updated cost estimates. For a sector project, updating the procurement plan will provide the details as subprojects are approved.

25. In practice, the annual update requirement is satisfied when the procurement plan is updated as a result of various changes to a project including sector projects, MFFs, and individual projects under MFFs such as the following:

- (i) major and minor changes covered by PAI 5.02 in which minor changes include, but are not limited to:
  - changes in project costs estimates,
  - minor changes in scope,
  - changes in ADB review procedures;
- (ii) changes in procurement arrangements involving procurement methods and thresholds that are covered in Part H of this PAI;

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<sup>11</sup> As of May 2014, only Module 1 that facilitates the preparation of the procurement plan has gone live.

<sup>12</sup> Available from [Knowledge Base - AskIT \(service-now.com\)](http://Knowledge Base - AskIT (service-now.com))

- (iii) reallocating loan and/or grant proceeds covered by PAI 5.03 that may result from or be related to changes in project scope, in which case approval procedures also follow PAI 5.02;
- (iv) using loan and/or grant proceeds covered by PAI 5.04 (in conjunction with PAI 4.0 when a loan closing extension is involved as a result of a change in scope) to finance additional project requirements for goods or services, in which case approval procedures also follow PAI 5.02; and
- (v) changes in consultant selection methods covered by PAI 2.02 Part F.

In all cases, project divisions are responsible for transmitting the updated procurement plans to PPFD together with the approved memoranda on the changes.

26. Any other changes that affect Part A of the procurement plan—process thresholds, review, and 18- month procurement plan—but are not covered by the above paragraph need to be referred to PPFD and endorsed by the concerned procurement specialist through PRS.

### **Publication**

27. The initial procurement plan approved by ADB and all updates will be published on adb.org. The initial procurement plan may be posted as early as the circulation of the RRP to the Board, in accordance with Operations Manual L3 (OP). For an MFF, subsequent tranches will have their own procurement plans and are published on adb.org once approved.

28. Updated procurement plans transmitted to PPFD are forwarded<sup>13</sup> to the Department of Communications (DOC) for publication on adb.org.

### **G. Master Bidding Documents**

29. As contract types are decided during the preparation of the initial procurement plan, regional departments, in consultation with PPFD, shall assist borrowers and their EAs in preparing the Master Bidding Documents (MBDs). Depending on the project needs, separate MBDs shall be prepared for prequalification of bidders, different consulting services contracts and for procurement of Goods, Works (Large and Small), Design and Construction or Plant: Design, Supply and Install contracts, with due consideration of different procurement procedures (i.e., Single Stage: One Envelope; Single Stage: Two Envelope; Two Stage: Two Envelope; Two Stage). If e-procurement will be undertaken, the corresponding MBD also needs to be prepared. For further details, refer to Table 1 and Appendix 4 of this PAI.

30. The MBDs should be finalized by the end of the PPTA/ project design, agreed with EAs at loan negotiations and subsequently used without modification. In the case of complex projects, the agreed MBD for procurement of Works, Design and Construction, or Plant: Design, Supply and Install contracts, as appropriate, may require further revisions upon completion of a detailed design. For NCB contracts, EAs with standard bidding documents following NCB procedures can either use ADB's SBDs or local NCB documents acceptable to ADB. EAs that do not have local NCB documents shall use ADB's SBDs. *A Guidance Note on Preparing the Master Bidding Documents* is in Appendix 4 of this PAI. The status of completion of the MBDs shall be reported in the Staff Review Meeting/ Management Review Meeting (SRM/MRM) and, if not completed, the issues paper shall state the reasons.

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<sup>13</sup> Under PRS, updated procurement plans are transmitted to DOC through eOps disclosure.

## H. Changes in Procurement Arrangements

31. The procurement plan normally specifies an ICB threshold value above which, contracts must be bid following ICB procurement methods. Below the ICB threshold, procurement methods that are considered to be less competitive than ICB (limited international bidding, NCB, shopping, and direct contracting) may be used. For these procurement methods, the procurement plan will normally specify the range of contract threshold values<sup>14</sup> applicable.

32. When a need arises to change the threshold or method of procurement, the project division or resident mission must prepare a memo justifying the change, together with a proposed updated procurement plan and present it for approval as follows:

- (i) If the contract value is estimated to be \$40 million or more, the proposal for change must be submitted to the vice-president concerned, to determine whether the change requires Management or Board approval.<sup>15</sup> If the change requires Management approval, the vice-president can approve the change.
- (ii) If the contract value is estimated between \$1 million and \$40 million, the proposal for change must be approved by the director general of the regional department concerned.
- (iii) If the estimated contract value is less than \$1 million, the proposal for change can be approved by the director of the project division.
- (iv) As an exception to (ii) and (iii) above, when a change involves the adoption of the thresholds referred in para. 4 of this PAI that also modifies the procurement method of specific contracts included in the procurement plan from ICB to NCB, the change shall be effected through PRS as mentioned in para. 26 of this PAI.
- (v) Changing to ICB from any other procurement method, regardless of the estimated contract value, can be approved by the concerned project division or resident mission.

33. Consultations with PPF and OGC are mandatory for (i) and (ii), but for (iii) and (iv), the consultation is at the discretion of the director of the project division. After approving a change in the method of procurement, OGC is to be consulted if a change is required in the relevant financing agreement.

34. Any change in the method of procurement from ICB to another method of procurement is to be reported to the Board in the quarterly portfolio update.

## I. Advance Contracting

35. Advance contracting normally refers to procuring goods and works up to the stage of ADB approval of the EA's recommendation for awarding a contract before the effective date of the financing agreement or approval of technical assistance (see PAI 2.05 B). Advance contracting may also include approval of the contract award for the procurement of goods and works. Since advance contracting is considered a default of action for projects procuring goods and works<sup>16</sup> as it significantly expedites project implementation, it needs to be discussed with the EA, early on, in

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<sup>14</sup> If thresholds or contract ceilings are not specified in the relevant procurement plan, refer to PAI 3.03, 3.04, and 3.05, or consult with PPF.

<sup>15</sup> An example is when the proposed change is against provisions of the ADB Procurement Guidelines which the Board also approved

<sup>16</sup> References to "goods and works" include related services (other than consultant services).



project processing. Advance contracting is to be examined during the processing of all projects by considering the following:

- (i) the stage of preparatory work for each project;
- (ii) any special technical features; and
- (iii) the implementation schedule.

36. The EA's capacity to handle advance contracting is assessed, (information is drawn from the capacity assessment) including the compatibility of the borrower's procedures with ADB procedures, whether a functional unit will be in place to undertake the advance contracting, and ADB's experience in using advance contracting in that sector in the country. The processing mission may consider strengthening the capacity of the EA to take advantage of advance contracting and is expected to confirm readiness to take advance action or to make project-specific recommendations in the issues paper for the MRM or SRM. If, however, advance contracting is not proposed, the issues paper should highlight the reasons for not including it in project design. The MRM confirms the advance action while the SRM endorses it to the relevant Vice-President for final approval. Advance contracting may also be sought at any time during project processing by submitting a memo to the relevant Vice-President. If advance contracting is confirmed by the MRM or endorsed by the SRM and approved by the relevant Vice-President, that information is to be prepared and included in an advance contracting notice published on [adb.org](http://adb.org) in the format given in Appendix 5 of this PAI. If additional information is requested by the Board after publication on [adb.org](http://adb.org), the information is to be supplied by the department or office responsible.

37. Where advance contracting is approved or confirmed, the EA must be advised to:

- (i) seek ADB approval for the draft prequalification and bidding documents before they are issued;
- (ii) follow requirements for public advertising as specified in the ADB Procurement Guidelines;
- (iii) note that ADB approval of advance contracting will not commit ADB to subsequently approve the project or to finance the procurement costs; and
- (iv) note that ADB will not finance expenditures paid by the borrower prior to loan or grant effectiveness, even if advance contracting is approved, unless retroactive financing has also been finally approved by ADB.

38. Since advance contracting is approved for a specific EA, it is deemed approved for subsequent tranches under an MFF for the same agency. For new agencies, specific approval is required for each project.

## **J. Retroactive Financing**

39. Retroactive financing refers to ADB approval to finance project expenditures incurred by the borrower prior to the effective date of the financing agreement. These expenditures cover only components identified during processing. The concerned Vice-President approves in principle the use of retroactive financing. The amount of retroactive financing<sup>17</sup> to be recommended (if any) is determined during project preparation in the context of efficiency, economy, urgency, and development impact. Consideration is given to the need for preparatory work, advance

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<sup>17</sup> The conditions of retroactive financing are described in OM H4

procurement of goods and works, and the most desirable timing for physical commencement of the project. The following should be considered by staff when recommending retroactive financing:

- (i) It is approved in principle by the MRM, is justified in the RRP, is subject to final action on the RRP, and is reported on adb.org.
- (ii) Borrowers are advised that approval at the MRM does not commit ADB to finance the project.
- (iii) It is limited to a percentage of the loan amount as described in the relevant Operations Manual section.

40. Retroactive financing is approved for a specific project; therefore, specific approval is required for subsequent tranches under an MFF.

#### **K. Joint and Parallel Cofinancing**

41. The ADB Charter encourages cofinancing<sup>18</sup> Project preparatory activities should consider whether this funding source, particularly official cofinancing, will be utilized for a project, as the procurement timetable and the procurement plan will be affected. In general, the procedures outlined in the guidelines will apply to all contracts for goods and works financed in whole or in part by ADB.<sup>19</sup> The Office of Cofinancing Operations (OCO) is the focal point for official cofinancing.

42. Cofinancing, whether joint or parallel,<sup>20</sup> will need to be presented in the RRP, and while the cofinancing documents or agreements will describe in detail the specific procurement review and approval procedures to be adopted, the timing of procurement packages indicated in the procurement plan should consider specific agreed procedures. PAI 3.03 includes some specific reminders on procurement procedures under cofinancing.

#### **L. Prior and Post Review**

43. The ADB Procurement Guidelines provide for prior and post review.<sup>21</sup> The agreed review arrangement for each contract is to be indicated in the procurement plan. This applies to ICB as well as to other methods of procurement described in the procurement plan. The decision on granting post review will be based on the assessment of the EA during the country, sector/agency procurement risk assessment, which will normally identify agency capacity to take on greater procurement responsibility. Whether a contract undergoes prior or post review does not depend on the method of procurement (i.e. whether ICB or NCB), but on the procurement risk level and the contract size.

44. Under prior review, documentation is reviewed and approved by ADB before moving on to the next step in procurement. The review is conducted in two parts, the first covers the prequalification and bidding documents to be issued to potential applicants/bidders, and the second includes the evaluation reports on the outcome of the prequalification/bidding activities. This first part involves reviewing contract-specific advertisements and invitations, prequalification documents, and bidding documents normally based on the agreed master bidding documents. The second part involves reviewing evaluation reports and recommendations related to

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<sup>18</sup> See Operations Manual Section E1 Financing Partnerships.

<sup>19</sup> See para. 1.5 of the Procurement Guidelines.

<sup>20</sup> For the definitions of joint and parallel financing, see Operations Manual Section E1/OP.

<sup>21</sup> See Appendix 1 of the ADB Procurement Guidelines for details.

prequalification, approval of evaluations, and award of contracts. Reviewing units should endeavor to offer clear comments to EAs, including the technical basis for requiring amendments to draft documents and reports.

45. The following contracts normally undergo prior review:

- a. Large contracts estimated to cost \$40 million or more;
- b. Contracts with high procurement risks and high project impact;
- c. All contracts identified for direct contracting, except for very small-value contracts up to \$10,000 such as for office equipment, furniture and consumables that the EA purchases directly from a supplier, these exceptions may be for post review.

46. Under normal post review, ADB will review the procurement documentation after the award to see that ADB's guidelines have been followed. The EA submits documentation, evaluations, and recommendations for review but may proceed to award without waiting for the outcome of the ADB review. The bid or prequalification evaluation reports should be submitted for post review as soon as they are completed and issued, but no later than 1 month after their issuance. ADB should ideally complete its post review within 1 month. The review may be conducted as part of every project review mission. If ADB does not complete its review within 6 months after receipt of the required documents for any given contract, it is assumed that there is no objection to the award of contract.

47. To reduce the risk of misprocurement for contracts under post review, ADB and the EA may agree to a prior review of the bid evaluation reports, defined under Table 2 of this PAI. Another post review option open to an agreement between ADB and the EA is a review of the first bidding documents, immediately upon their issuance, and after which, ADB has a chance to propose amendments before the submission deadline.

48. Under post review (sampling), the EA approves contract award and ADB will post-review only a sample of the contracts awarded. The sample size should endeavor to capture contracts amounting to about 50% to 80% of the total value of contracts identified for post review sampling and about 20% of the total number of those contracts, but ensuring to include in the sample the review of all types of contracts.

49. If through post review, ADB determines that an action by a borrower amounted to misprocurement in accordance with ADB's Procurement Guidelines, it will declare misprocurement. Since misprocurement may mean refunding if amounts have been disbursed, staff should make sure that EAs submit documents in a timely manner. Under post review (sampling), adverse findings related to fraud and corruption shall be the main basis for declaration of misprocurement by ADB. Other adverse findings shall be relayed to the borrower for possible appropriate actions, including misprocurement under the national laws, rules and regulations.

50. The regional department has the responsibility to ensure that review comments received from ADB, particularly on draft bidding documents, are addressed by the EA, as the issues may affect the evaluation of bids and the outcome of the bidding. Staff should note that unwarranted deviations in the provisions of bidding documents may lead to misinterpreting the requirements or misunderstanding the evaluation criteria during bid evaluation, affecting the determination of the lowest evaluated bid. This may lead to a declaration of misprocurement.

51. For ongoing projects where MBDs have not been agreed, and which are still subject to NCB thresholds as per current procurement plan, the first bidding documents for goods, works or plant shall continue to be reviewed by PPF and OGC, until revised review procedures are reflected in the updated procurement plan.

52. The table below is intended to guide staff in understanding how the prior or post review thresholds are applied in relation to contract sizes. See PAIs 3.03 and 3.05 for procedures applied to ICB and NCB contracts, respectively. For contracts to be referred to the procurement committee, see PAI 3.10.

**Table of Responsibilities and Decision Authority<sup>1</sup> for ADB Review of Procurement Actions and Decisions**

**Table 1. Review of Prequalification and Bidding Documents (Based on Master Bidding Documents)<sup>22</sup>**

<b>Action/Decision</b>	<b>Prior Review (Prior to issuance)</b>	<b>Post Review (After issuance)</b>
\$70 million and above (ICB)	SCD issues no-objection after full review, with PPF and OGC comments incorporated or addressed within 8 working days	NA
Below \$70 million except for post review (sampling)	SCD issues no-objection within 8 working days with PPF /OGC advice, if requested. Exceptions to the standard provisions in the MBD requires endorsement from OGC/ PPF.	
Contracts under post review (sampling)	NA	EA with sampling review by SD/RM

<sup>1</sup> Subject to modification by financing agreement and procurement plan.

**Table 2. Approval of Evaluation or Award for Prequalification, Technical, and/or Financial Bids (footnote 22)**

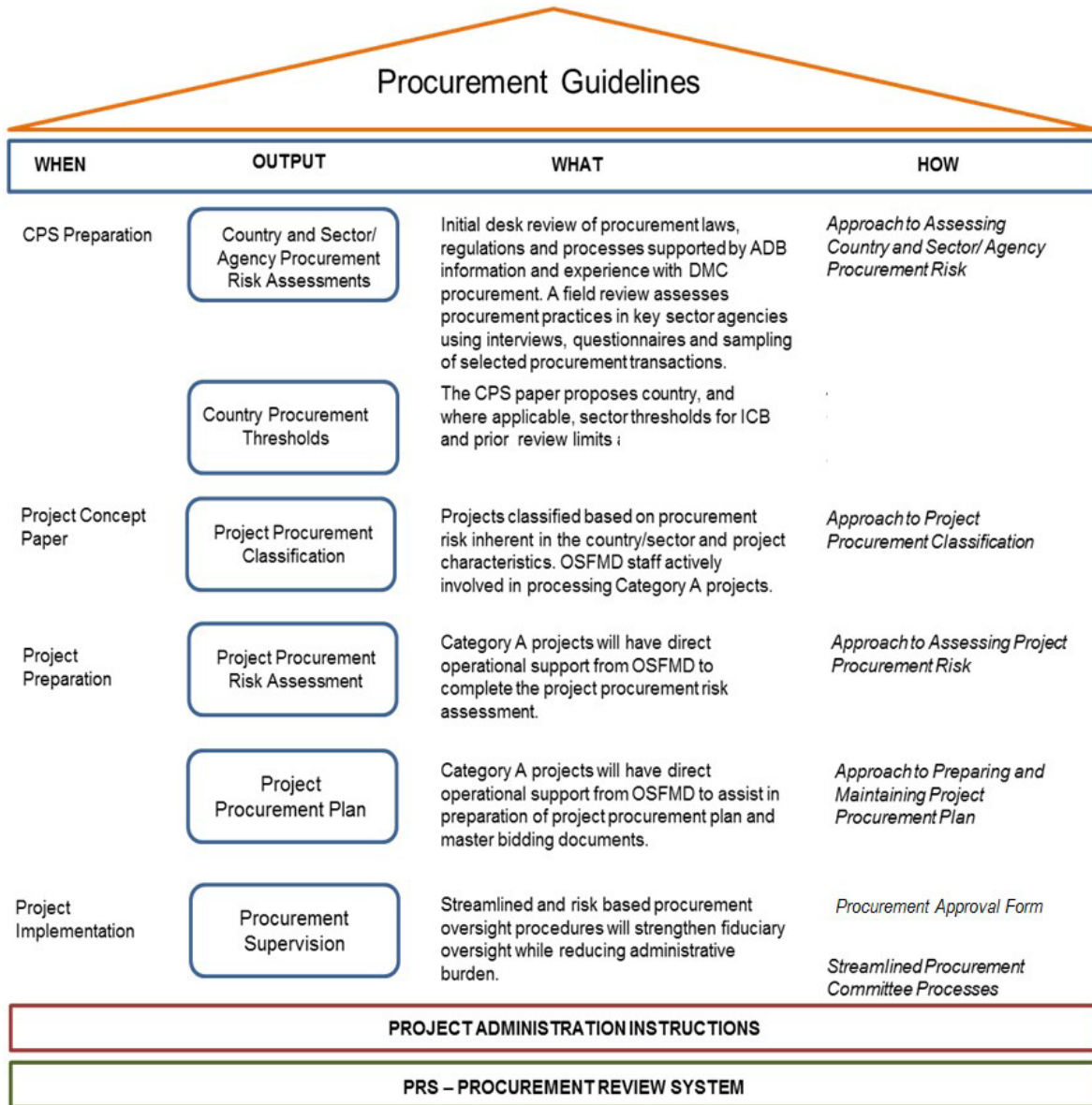
<b>Action/Decision</b>	<b>Prior Review (Prior to award)</b>	<b>Post Review (After award)</b>
(1) \$70 million and above (ICB)	Procurement Committee issues no-objection (see PAI 3.10)	NA

<sup>22</sup> Another threshold, other than as indicated below, may be applicable to a SD/RM if approved by Director General, PPF based on the SD/RM's track record of strong performance in reviewing and approving procurement transactions.

(2) From \$20million up to, but not including, \$70 million (ICB, NCB or other procurement method) <sup>23</sup>	SCD issues no-objection, with PFP1/PFP2 director's , countersignature/endorsement. PFP1/PFP2 director may delegate authority to senior PFPD outposted staff. If SCD and PFP1/PFP2 disagree, case elevated to the Procurement Committee SD/RM shall ensure ADB action within total of 8 working days from receipt of bid/PQ evaluation report, except if the matter is elevated to the procurement committee	NA  (Note: For exceptional cases where post review is approved for a contract size in this range, the same procedure as for prior review will apply.)
(3) Below \$20 million (ICB or NCB)	SCD issues no-objection within 8 working days, with endorsement from PASS accredited staff. SD/RM may seek advice from OGC/ PFP1/PFP2, if necessary.	
(4) Contracts under post review sampling	NA	EA with sampling review by SD/RM

Notes: EA=executing agency; OGC=Office of the General Counsel; SCD = sector director or resident mission country director; SD/RM=sector division or resident mission; MBD=master bidding documents

<sup>23</sup> Notwithstanding the provisions of this Table, a financial bid evaluation report for a contract proposed for award at \$70 million and above and having no issues may be jointly approved by the relevant SCD and PFP1/PFP2 director (co-approval). For the purposes of this footnote, 'No issues' denotes low procurement risk in awarding a contract as proposed by the EA and is indicated by, but is not limited to, (i) the bid recommended for award had the lowest price at bid opening and is not conditional, (ii) the EA does not recommend price negotiations with the winning bidder or rejection of all bids, and (iii) the EA does not recommend, due to Abnormally Low Bid considerations, to reject a bid or increase the performance security of the bidder recommended for award. PFP1/PFP2 director assesses the procurement risk of each contract proposed for award at \$70 million and above, in consultation with the SD/RM and OGC if necessary.



**PROCUREMENT PLAN**

{All text in red and footnotes should be removed from a completed procurement plan.}

**Basic Data**

<b>Project Name:</b>	
<b>Project Number:</b>	<b>Approval Number:</b>
<b>Country:</b>	<b>Executing Agency:</b>
<b>Project Procurement Classification: [A or B]</b>	<b>Implementing Agency:</b>
<b>Procurement Risk: [ High, substantial, Moderate, Low]</b>	
<b>Project Financing Amount: \${amount}</b> <b>ADB Financing:</b> <b>Non-ADB Financing:</b>	<b>Project Closing Date:</b>
<b>Date of First Procurement Plan {loan/grant approval date}:</b>	<b>Date of this Procurement Plan: {dd /mm / year}</b>

**A. Methods, Thresholds, Review and 18-Month Procurement Plan**

**1. Procurement and Consulting Methods, and Thresholds**

Except as the Asian Development Bank (ADB) may otherwise agree, the following process thresholds shall apply to procurement of goods and works. {delete the methods that do not apply}

<b>Procurement of Goods and Works</b>		
<b>Method</b>	<b>Threshold</b>	<b>Comments</b>
International Competitive Bidding (ICB) for Works	(\$3,000,000 to \$40,000,000) <sup>1</sup>	
International Competitive Bidding for Goods	(\$1,000,000 to \$10,000,000) <sup>1</sup>	
National Competitive Bidding (NCB) for Works <sup>2</sup>	Beneath that stated for ICB, Works	
National Competitive Bidding for Goods <sup>2</sup>	Beneath that stated for ICB, Goods	
Shopping for Works	Below \$100,000	
Shopping for Goods	Below \$100,000	
{List here any other methods of procurement approved for use (see Section III of the Procurement Guidelines)}	{To be agreed with ADB during project processing}	

<sup>1</sup> Please insert a specific threshold amount

<sup>2</sup> Refer to Para. 3 of PAI 3.05 for National Competitive Bidding

Consulting Services	
Method	Comments
Quality and Cost Based Selection (QCBS)	
Quality Based Selection	
Consultants' Qualifications Selection <sup>3</sup>	
Least-Cost Selection <sup>4</sup>	
Fixed Budget Selection	
{List here any other methods of recruitment approved for use (see Section II of the Consulting Guidelines)}	{To be agreed with ADB during project processing}

<sup>3</sup> Refer to Para. 29 of PAI 2.02 for Consultants' Qualification Selection

<sup>4</sup> Refer to Para. 26 of PAI 2.02 for Least-Cost Selection

## 2. Goods and Works Contracts Estimated to Cost \$1 Million or More

The following table lists goods and works contracts for which the procurement activity is either ongoing or expected to commence within the next 18 months.

Package Number <sup>5</sup>	General Description	Estimated Value	Procurement Method	Review [Prior / Post/Post (Sample)]	Bidding Procedure <sup>6</sup>	Advertisement Date (quarter/year)	Comments <sup>7</sup>

<sup>5</sup> If the package contains multiple lots, please provide the following information for each lot – lot number, lot description and lot estimated value.

<sup>6</sup> Type of Bidding Procedures: 1S1E / 1S2E / 2S / 2S2E.

<sup>7</sup> Indicate whether prequalification of bidders and domestic preference is applicable. Specify the type of bidding documents to be used: Small Works / Large Works / Plant / Goods.

## 3. Consulting Services Contracts Estimated to Cost \$100,000 or More

The following table lists consulting services contracts for which the recruitment activity is either ongoing or expected to commence within the next 18 months.

Package Number	General Description	Estimated Value	Recruitment Method	Review [Prior / Post]	Advertisement Date (quarter/year)	Type of Proposal <sup>8</sup>	Comments <sup>9</sup>

<sup>8</sup> See PAI 2.02G: full, simplified or bio data technical proposal.

<sup>9</sup> Indicate the type of assignment: International or National. Specify the Quality-Cost Ratio for QCBS method. Indicate the type of expertise for Individual Consultant Selection.





**C. List of Awarded and On-going, and Completed Contracts**

The following tables list the awarded and on-going contracts, and completed contracts.

1. Awarded and Ongoing Contracts

Package Number	General Description	Estimated Value	Contract Value	Procurement Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award	Comments <sup>10</sup>

<sup>10</sup> Indicate the Contractor's name and the contract signing date.

Package Number	General Description	Estimated Value	Contract Value	Recruitment Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award	Comments <sup>11</sup>

<sup>11</sup> Indicate the Consulting Firm's name and the contract signing date.

2. Completed Contracts

Goods and Works								
Package Number	General Description	Estimated Value	Contract Value	Procurement Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award	Date of Completion	Comments

Consulting Services								
Package Number	General Description	Estimated Value	Contract Value	Recruitment Method	Advertisement Date (quarter/year)	Date of ADB Approval of Contract Award	Date of Completion	Comments

**D. Non-ADB Financing**

The following table lists goods, works and consulting services contracts over the life of the project, financed by Non-ADB sources.

<b>Goods and Works</b>				
<b>General Description</b>	<b>Estimated Value (cumulative)</b>	<b>Estimated Number of Contracts</b>	<b>Procurement Method</b>	<b>Comments</b>

<b>Consulting Services</b>				
<b>General Description</b>	<b>Estimated Value (cumulative)</b>	<b>Estimated Number of Contracts</b>	<b>Recruitment Method</b>	<b>Comments</b>

**E.** National Competitive Bidding  
 {Attach the country-specific NCB Annex}

## Guide on Post Review (Sampling)

### CPS Stage

1. Country sector/agency procurement risk is determined at the CPS stage<sup>1</sup> or any other time as agreed with the Regional Department. A rating of low risk would indicate an acceptable set of procurement laws, rules and regulations that, at a minimum, prescribe open competitive tendering as the default procurement method, has a transparent bidding process, and offers no nationality preferences. For a low risk country, the national laws, rules and regulations may be considered acceptable when the following features are found:

- Procurements are well publicized through traditional and/or new electronic and open access media,
- Bidding documents provide clear instructions on how bids should be submitted, how prices should be offered, and the place and time for submission of bids,
- Adequate response time for preparation and submission of bids are provided,
- The procedures provide for adequate competition in order to ensure reasonable prices,
- Methods to be used in the evaluation of bids and the award of contracts are objective and made known to all bidders in the bidding documents and not be applied arbitrarily,
- The procedures include public opening of bids, publication of results of evaluation and of the award of contract,
- There are provisions for bidders to protest, and
- If foreign firms wish to participate, they shall be allowed to do so.

2. A low country procurement risk rating would allow use of the national laws, rules and regulations to be used for procurement of certain lower risk and low impact contracts to be financed by ADB. The set of contracts may, when indicated in the procurement plan, be the subject of post review (sampling).

3. The procurement plan would set the ceiling for the contracts subject to post review (sampling), which would be from zero to \$5.0 million but for a particular project shall always be below the ICB threshold. At the CPS formulation stage, recent 2-3 years national budgets may be examined to determine types and sizes of contracts normally implemented by project EA. The upper limit of contract sizes to be covered by post review (sampling) shall be based on the value and types of contracts normally awarded by the EA using the national procurement laws, rules and regulations, and procured through competitive international, competitive national, shopping or other prescribed methods in the national procurement system.

### Procurement Plan

4. Based on the ceiling set during CPS (up to \$5 million but below the prior review and ICB thresholds), consider the procurement record of the EA.

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<sup>1</sup> For Pacific countries that do not have full CPS, country procurement risk shall be determined during the preparation of Pacific approach document or during project processing about 50% to 80% of the total value of contracts and about 20% of total number. In the second scenario where the contracts in the procurement plan for are indicative only and lumped as, for example, "10 contracts between \$500,000 to \$1.0 million", taking "every 5th contract" as the sample approximates 20% of the number.

5. Consider at least two possible scenarios of contract identification at the procurement plan stage: all identified, or some lumped as “10 contracts of between \$1.0 million to \$2.0 million” or “15 contracts below \$500,000 each.”
6. Identify contracts or contract groups within the ceiling set and/or the stratification of samples, i.e. stratified by contract size, say, below \$500,000, \$1.0 to \$2.0 million, \$2.0 to \$3.0 million, \$3.0 to \$4.0 million, and \$4.0 to \$5.0 million.
7. Set a systematic sampling approach at, say every 5th contract for the stratum with largest sample, every 4th contract for next sized sample, and or 3rd contract for the stratum with a smaller sample size, etc. For the largest contracts in the total sample, every contract may be reviewed. In the scenario where all contracts for country systems are identified in the procurement plan, the target sample shall cover
8. Sample contracts may be reviewed at each reimbursement cycle or series of withdrawal applications, or when each review or supervision mission is fielded.

#### **Actual review of sampled contracts**

9. For the actual review procedure, the methodology of the Procurement Review for Effective Implementation or PREI may be used, except that assessment is not against ADB guidelines but against the national procurement laws, rules and regulations. The PREI Manual and User’s Guide are available in OpsPedia.

### **Guidance Note on Preparing the Master Bidding Documents**

1. As contract types are decided during the preparation of the initial procurement plan, regional departments in consultation with PPFD shall assist borrowers and their EAs in preparing Master Bidding Documents (MBDs). Depending on the project needs, separate MBDs shall be prepared for prequalification of bidders, different consulting services contracts and for procurement of Goods, Works (Large and Small), Design and Construction or Plant: Design, Supply and Install contracts with due consideration of different procurement procedures, i.e. Single Stage: One Envelope; Single Stage: Two Envelope; Two Stage: Two Envelope, Two Stage.
2. The project-specific MBDs, Invitations for Bids (IFB) and the Request for Proposals (RFP) for project implementation consultants should be finalized by the end of the Project Preparatory Technical Assistance (PPTA) by the consultants and the EA, included as linked documents to the Report and Recommendation of the President (RRP) and agreed with the EA latest at loan negotiations with covenants on their use provided in respective financing agreements. IFBs and RFPs should be ready for issuance immediately after approval of advance action by SRM/MRM. In the case of complex projects, the approved MBDs for procurement of Works, Design and Construction or Plant: Design, Supply and Install contracts, as appropriate, may require further revisions upon completion of detailed design.
3. The early preparation of MBDs will serve to focus ADB and the EAs on procurement issues that may arise, and ensure that quality guidance is provided, particularly in those cases where customized bidding documents are required for procurement of highly specialized contracts for design and construction, operation and maintenance, performance-based contracts which are not commonly used under ADB financed projects. While preparing the MBD, staff must pay attention for the preparation of comprehensive technical requirements/specifications.
4. Preparation of project-specific MBDs during the PPTA will enable regional departments and PPFD to review major parts of the draft bidding documents, prior to Board approval of the project. The MBDs would require minimum subsequent revisions and would facilitate timely project implementation.
5. For NCB contracts, EAs having SBDs guiding NCB procedure can either use ADB's SBDs or local NCB documents acceptable to ADB. EAs that do not have local NCB documents may develop NCB documents specific to the project needs or use ADB's SBDs.
6. While preparation of the RFPs for engagement of project implementation consultants will remain the responsibility of the PPTA consultants, regional departments in consultation with PPFD's Loan Consulting Unit shall provide comments on the draft RFP and draft CSRN to expedite their finalization. PPTA consultants shall be timely informed that as part of the preparation of the RFP they will be also responsible for preparation of the terms of references for project implementation, such consultants will not be eligible to bid for the subsequent consulting services assignment for project implementation.
7. Upon completion of the preliminary cost estimates for each procurement package, the EA, to the extent possible, complete the IFBs and the following sections of the MBDs:

- a) Section 2 (Bid Data Sheet): specify, among others, the name of the Borrower and the EA, project name, contract identification number (including lots), price adjustment provision (if applicable), the currency of bids, the exchange rates and their sources, the amount of bid security [if the cost estimate is available] and its validity, a margin of preference (if applicable);
- b) Section 3 (Evaluation and Qualification Criteria): specify, among others, requirements for financial situation, average annual [construction] turnover, financial resources, production capacity, experience in contracts of similar size and key activities);
- c) Section 5 (Eligible Countries): specify eligible countries depending on the source of ADB financing, i.e. OCR or ADF (or other bilateral sources administered by ADB), or no nationality restrictions in case of application of universal procurement;
- d) Section 7 (General Conditions of Contract [GCC]): depending on the type of contract, ADB's standard GCC or GGC from Harmonized FIDIC Conditions of Contract, or other types of GCC, as appropriate;
- e) Section 8 (Particular/Special Conditions of Contract): relevant data on contractual obligations and any additions to GCC shall be introduced and agreed to the extent possible.

8. Section 1 (Instruction to Bidders) and Section 9 (Contract Forms) shall be used from ADB's appropriate standard bidding documents unaltered. Closer to the PPTA completion, based on preliminary design and Employer's Requirements the PPTA consultant and the EA shall complete all the above sections and remaining two sections of MBDs, i.e. Section 4 (Bidding Forms) with Bill of Quantities and Section 6 (Employer's Requirements). Regional departments shall review and submit the entire MBD to PPF and OGC for comments and shall agree on the final version of MBD with the EA at loan negotiations.

9. For contracts below Procurement Committee thresholds, no further review of final bidding documents will be required by PPF and OGC, however, regional departments may consult with PPF and OGC on specific issues. For contracts subject to approval by the Procurement Committee, final bidding documents prepared by EAs shall be reviewed by PPF and OGC before issuance to bidders. In reviewing master bidding documents and final bidding documents, OGC review will be limited to conditions of contract and specific legal issues raised by regional departments or PPF.

10. The agreed MBDs shall be mandatory for use under the subject project without any alterations. In the case of complex projects, the agreed MBDs for procurement of Works, Design and Construction or Plant: Design, Supply and Install, as appropriate, may require further revisions as a result of changes in detailed design; evolving Employer's Requirements; or change in scope or procurement arrangements. This will normally be covenanted in the respective financing agreements.

**Publication on adb.org**

**Advance Contracting and Retroactive Financing**

ADB approval of advance contracting will not commit ADB to subsequently approve the project or to finance the procurement costs.

1. Country/Borrower
2. Title of proposed project
3. Name and contact details of the executing agency  
(also provide the telephone and email [possibly also fax numbers] and the name of the official in charge of the project)
4. Brief description of the project
5. Brief description of goods and related services, works, or consulting services to be procured and related justification for advance action (include any special or unusual qualifications attached to the advance action approved by ADB)
6. Date advance action approved