INTERNATIONAL COMPETITIVE BIDDING

A. Introduction

1. International competitive bidding (ICB) is the most appropriate method of procurement under ADB financing in most cases. This provides an executing agency (EA)\(^1\) with a wide choice in selecting the best bid from competing suppliers and contractors. It gives prospective bidders from eligible source countries equal opportunity to bid on goods and works\(^2\) that are being procured under ADB financing. The flow charts in Appendix 1 of this Project Administration Instructions (PAI) show the main steps for procurement under ICB, including review and approval procedures.

2. The financing agreement usually provides that procurement under the project must follow ADB Procurement Guidelines. The borrower\(^3\) and its EA must follow the recommended procedures in preparing prequalification, bidding, and contract documents; advertising bid invitations; and accepting, opening, and evaluating bids. These procedures, their requirements, and relevant issues are discussed in this PAI and in PAI 3.09.

B. Price Thresholds for International Competitive Bidding

3. ICB procedures are normally employed for contracts with estimated values that exceed thresholds set at the time of procurement plan preparation. The current range of ICB thresholds for ADB borrowers is a minimum of $3 million and a maximum of $40\(^4\) million for works contracts or a minimum of $1.0 million and a maximum of $10 million for supplying goods depending on the assessed performance of contractors/suppliers in the market. These ICB thresholds also represent contract amount ceilings for national competitive bidding (NCB) and are normally stated in the procurement plan except when some contracts have yet to be specified as in sector projects. For the current thresholds by country, ADB staff administering projects shall refer to Appendix 2 or consult with the Procurement, Portfolio and Financial Management Department (PPFD) for the latest values.

C. Packaging International Competitive Bidding Contracts

4. Whenever possible, procurement should be such that each bid package or contract is large enough to be suitable for ICB. The size and scope of individual contracts will depend on the magnitude, nature, and location of the project. The objective in determining contract packages is to divide the requirements of the project into a manageable number of appropriate contract packages that will produce the maximum competitive response from bidders. To do this for goods procurement, the nature and value of the goods grouped into each contract package and the conditions of the potential market of supply must be understood. For works, homogeneous contract sections or buildings or other physical facilities need to be determined and assessed against the capabilities of local contractors and the perceived level of interest of foreign contractors. The capacity of an EA to administer the contracts may also affect the choice of contract

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\(^1\) Includes implementing agency (IA) for the rest of this PAI.

\(^2\) "Goods and works" include related services such as transportation, insurance, installation, and commissioning, training and initial maintenance.

\(^3\) Includes grant recipient for the rest of this PAI.

\(^4\) The "$" values may refer to equivalents in other currencies.
type. Contract packaging is concluded during project processing by agreement between the EA and ADB. The contract packages and methods of procurement are documented in the procurement plan and the project administration manual (PAM) and summarized in the Report and Recommendation of the President (RRP).

5. Each contract normally includes only goods of the same or related specialty or works of a similar kind. For projects requiring both civil works and the supply and installation of equipment, separate contracts are normally awarded. Note that a certain works contract may include the supply of some or limited pieces of equipment, and a supply contract may include installation works that are civil in nature. The type of contract is normally determined by which items in the scope—goods or works—dominate; however, a single contract may be offered for a group of structures for manufacturing a certain product or for equipment and other fixtures and the building containing them for a manufacturing or industrial operation for a certain type of output. Normally, such contracts are large and complex and are referred to as a contract for “plant,” e.g., power plants, water treatment plants, telecommunications systems, and similar projects.

6. Normally, employers (and/or purchasers) provide the design and specifications, the winning suppliers or contractors deliver the goods or construct the physical facility, and the employer’s representatives or engineers supervise the performance of the contract. Bidding starts when the engineering designs are ready so that suppliers and contractors will be able to quote prices for the goods and/or works desired and in accordance with employer-provided designs and specifications. When a large, complex contract is to be undertaken, the employer may consider that completing all the engineering designs and specifications before selecting the contractor may not be efficient, in which case, the design work is included in the scope of the contract to be bid out. Thus, a single-responsibility design, supply, and install contract should be considered. Note that a single-responsibility contract has advantages, but the employer will have less control over the design and may have difficulty imposing varied requirements during contract implementation.

7. In the context of ADB-financed projects, particularly for a contract for plant, another dimension in classifying the type of contract is whether it is a turnkey contract in which the engineering, the design, the supply of equipment, and the construction and commencement of operations of a complete plant are provided through a single contract, including commissioning and training. The employer requires the delivery of a fully-equipped facility from the contractor, ready for operation (at the “turn of the key”). Usually, the contractor carries out all the engineering, procurement, and construction works, in which case, a turnkey contract is also termed an EPC contract. EPC contracts, which have the advantage of less risk and administrative burden on the employer, normally involve little or no underground works. Note that the more the responsibility given to the contractor, the less the employer’s role in administering the contract. More responsibility also means more risk taken by the contractor with the expectation of higher contract prices to accommodate it.

8. Contract size must also be considered. If there is unlikely to be international interest, particularly for smaller value contracts, NCB may be considered and the criteria are set out in PAI 3.05.

9. For similar but separate construction works or items of equipment, bids should be invited under alternative contract options, i.e., bidders may submit bids for any or all contracts in a multi-contract package so that both small and large contractors or suppliers can bid for individual sections of the contract or for a group of similar goods. Bids and combinations of bids are
evaluated simultaneously to determine the least cost combination. The method of evaluating and awarding the contract must be clearly stated in the bidding documents.

10. Multiple contracts bid and evaluated at the same time involve bid comparisons to arrive at the least cost combination for the EA. Bidders may offer various combinations of discounts for awards of two or more contracts; and in another dimension of evaluation, bidders may be eligible for contract awards based on different qualification criteria, i.e., annual turnover, financial resources, and relevant experience. Thus, a matrix of combinations needs to be evaluated which becomes complicated when more than 5 contracts are taken up at the same time. ADB staff need to discuss the number of contracts packaged together carefully with the EA, as experience indicates that debriefing losing bidders may present difficulties when more than five contracts are bid together.

11. Depending on the capacity and experience of EAs, project teams may consider contract forms other than those provided in ADB’s standard bidding documents such as internationally recognized forms for design-build, design-build-operate, operation and maintenance, turnkey or EPC contracts. In all cases, ADB’s bidding procedures will be used.

D. Bidding Procedures

12. The ADB Procurement Guidelines prescribe two main bidding procedures and their variants that an EA may choose from, to suit procurement: single-stage, one-envelope and two-stage are the default procedures; and the two-envelope procedures adapted for single-stage and two-stage are the variants. Choosing the appropriate bidding procedure will depend on the complexity of the contract and the circumstances surrounding procurement. These bidding procedures may be utilized in NCB or other methods of procurement.

13. The four bidding procedures are described in the ADB website. The single-stage: one-envelope procedure, or simply the “single envelope procedure,” is the generally recommended ADB procedure. Not all procedures are appropriate for all contract types. Goods procurement may utilize the four bidding procedures, but the procurement of works normally use only the single envelope procedure and its variant, single-stage, two-envelope. The latter procedure is popular in South Asia and Southeast Asia, and may be prescribed in their national procurement laws, rules and regulations. For the procurement of plant, either the single-envelope or the two-stage procedures are recommended. For highly complex procurement, e.g., complex power plants or processing plants, a bidding procedure for design-build contracts, which may be different from a two-stage procedure, could be used with prior consultations with OGC and PPFD.

2. Prequalification

14. While prequalification is not a separate bidding procedure, it is a procedure that is part of competitive procurement in which the EA/IA assesses the suitability of firms to undertake a specific contract prior to being invited to submit a bid. In accordance with the guidelines (para. 2.9), prequalification is suitable for large or complex works, as well as for large and complex plant contracts, and for contracts to be bid as turnkey or design and build contracts. Another situation

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in which prequalification is suitable for some EAs is when significantly large numbers of bidders are expected to participate, and screening their qualifications early will reduce the number of technical and financial proposals to be evaluated in tedious detail during the actual bidding.

15. ADB has issued a standard procurement document for prequalification with a comprehensive user’s guide that provides guidance on preparing the document and managing the process and a discussion on the benefits and disadvantages of undertaking prequalification. Note, however, that the document that can be downloaded from www.adb.org was prepared for large and complex works contracts and adapted for contracts for plant.

16. ADB staff should take note of the following when supervising projects undergoing prequalification:

(i) The EA should use only the criteria, requirements, and methods specified in the prequalification document and should use them consistently.
(ii) The EA should notify all prequalification applicants of the results once they are concurred by ADB.
(iii) The EA should be strongly encouraged to publish the prequalified list on the ADB Business Opportunities webpage. Project officers should send the prequalified list of potential bidders to PPFD for publication.

17. Prequalification is followed by closed competitive bidding to which only those firms meeting specified prequalification criteria are invited. The results of prequalification shall be used for bidding within 6 months after approval or within 1 year from the deadline for submission of applications. Use of the prequalification results after this requires prior approval of ADB. If they are not used after one year, the EA may instead seek prior ADB approval to proceed with bidding under post-qualification.

E. Planning for International Competitive Bidding

18. The requirements for goods and/or works are determined from the outputs of project preparatory activities, and the cost estimates are updated to current costs. These requirements are translated into contracts (lots) or packages (groups) of contracts based on project locations, homogeneous works sections, EAs or IAs, and their procurement and supervisory capacities. To provide the optimal impacts to project beneficiaries, the schedule of implementation and completion of these requirements must also be extracted from the feasibility or other reports and considered in identifying and scheduling ICB procurement activities as indicated in the procurement plan.

19. While the ADB default procurement method is ICB, staff should expect that borrowers will tend to promote their own sets of procurement rules and regulations, so processing staff should be prepared to discuss the merits of ICB from the foregoing discussions, as well as from PAI 3.01. Local rules and regulations still need to be assessed against the guidelines to determine whether they can be the basis for adopting NCB for contract packages. Conditions for applying these local rules and regulations are spelled out in the NCB annex of the procurement plan or in the financing agreement (PAIs 3.02 and 3.05).

20. Staff should consider that EAs and IAs will need to prepare detailed specifications or detailed engineering, and their capacity to do so will determine whether consultants are to be hired
(normally under advance action). The completion of these tasks normally allows procurement to start with the engineering consultants providing assistance. When contracts for plant are identified, these consultants may deliver only performance specifications or conceptual designs, when design, supply, and install contracts are to be procured.

21. Among ICB contracts and packages, single-stage: one-envelope bidding is usually adopted for straightforward goods and simple works procurement. Some ADB regions have a preference for single-stage: two-envelope bidding, mainly for undertaking technical evaluations without being influenced by the price. For planning purposes, staff may advise EAs that different bidding procedures require different time requirements. Appendix 3 provides guidance on the minimum milestone targets under most ideal conditions for these two bidding procedures. These timelines may be adapted taking into account country processes and other factors.\(^6\)

22. For large and complex works contracts and if procuring plant and turnkey contracts is required, two-stage bidding is most appropriate. When prequalification is also contemplated for such large and complex projects, evaluating qualifications do not need to be a separate process but may also be undertaken in the first stage. Experience has shown that two-stage: two-envelope bidding does not offer advantages in terms of time, particularly when complications in determining rectifiable deviations in the technical evaluation stage may arise.

F. Distinctive Features of International Competitive Bidding

1. Proper Advertisement

23. Proper advertisement is a key element of ICB, providing timely, adequate, and correct information to potential bidders in ADB member countries. Advertisements serve to inform potential bidders and the public that the ADB procurement system and procedures shall apply. Moreover, a publication on the ADB website leads an interested party to the ADB guidelines as well as the SBDs to be used. It is likewise advised that the ADB anticorruption policy applies, including sanctions currently imposed on firms and individuals. Information on ICB procurement is available in the general procurement notice, the procurement plan, the invitation for prequalification, or the invitation for bids for specific contracts published also on www.adb.org, as well as in a local newspaper with national circulation.

24. For ICB procurement, advertisements or invitations for prequalification and for bids generally require a minimum posting of 6 weeks which corresponds to the minimum period allowed for applicants to prepare prequalification submissions and for bidders to prepare and submit bids. This period is counted from the publication date of the relevant invitation in the Business Opportunities section of adb.org or locally in English (locally known website or local newspaper), or the date when documents are available for issuing, whichever is the later, up to the date for submission of applications or bids. The posting period may be longer for larger and more complex works and plant contracts. Details of advertising requirements for ICB are found in Appendix 4 of this PAI. Inadequate or improper advertising may lead to misprocurement.

2. Use of Standard Bidding Documents

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\(^6\) For example, the following factors will extend the timelines: additional advertising requirements; limited availability of technical expertise in the EA; layers of technical review required; and multiple levels of approving authorities after the technical review.
25. The guidelines require that borrowers use the appropriate SBD issued by ADB. During the time of preparation of the procurement plan, master bidding documents (MBDs) should also be prepared, as discussed in Part G of PAI 3.02. For ICB contracts identified in the procurement plan, the ADB SBDs shall be used as basis, subject to the flexibility provided in para. 11 above, but for contracts below the ICB threshold, the likely basis for these MBDs are the national laws, rules or regulations, subject to modification when indicated in the NCB annex of the procurement plan. Once issued at the time of procurement, a contract-specific bidding document becomes the principal document defining the relationship and interaction between bidders and the purchaser/employer (of the borrower) from the time of receipt of the document up to awarding the contract and publishing bid results. PAI 3.09 discusses the SBDs for the various bidding procedures including their most appropriate use and common issues arising from them. The SBDs have been harmonized with similar documents issued by other multilateral development banks and international financial institutions and are available with their user's guides for downloading from the ADB website. Issues arising under bidding procedures prescribed by these documents are discussed in PAI 3.09.

3. Domestic Preference

26. A margin of preference may be granted for domestically manufactured goods and domestic contractors, when provided in the financing agreement at the request of the borrower. The margin is applied during bid evaluation and referred to as the domestic preference scheme. The scheme grants a margin of preference for domestically manufactured goods to be procured and domestic contractors to be engaged under ADB-financed projects. Applying the scheme is subject to certain eligibility requirements for the goods to be procured in supply contracts and for domestic contractors in works contracts. For works contracts, even before borrowers request to apply the scheme, it has to be determined whether the country is eligible based on per capita GNP as defined by ADB annually. Note that even when provided in the financing agreement, borrowers may opt not to apply domestic preference in any particular procurement exercise. When applicable, however, the advertisement or invitation, whether for prequalification or for bids, has to clearly state that the domestic preference scheme shall apply, and the bidding documents to be issued shall indicate the manner of application. Methods for applying domestic preference in accordance with the guidelines are clearly indicated in Section 3 of each of ADB SBD. Appendix 5 of this PAI elaborates further on the domestic preference scheme.

4. ADB Review

27. ICB procurement by ADB EA and IA is subject to review and approval by ADB at various levels depending on the contract size, in combination with the level of supervision (prior or post review) indicated in the procurement plan. PAI 3.02 discusses the review levels and the review procedures. If upon review, ADB determines that the goods or works were not procured in accordance with the agreed procedures in the financing agreement, it may declare misprocurement.

G. Procurement in Projects with Cofinancing

28. The guidelines apply to all contracts for goods and works financed in whole or in part by

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7 ADB Procurement Guidelines, para. 2.55
8 ADB Procurement Guidelines, Appendix 2
ADB. In cases where ADB is financing a large procurement package with other cofinanciers, the cofinanciers must decide whose procurement guidelines will prevail. The answer will affect the procurement arrangements for the procurement package concerned, including the following:

(i) which SBDs must be used and which eligibility criteria will apply (e.g., which member country procurement restrictions will apply and which debarment lists will be used);
(ii) which environmental and social safeguard requirements will apply and which policies will apply with respect to anticorruption, anti-money laundering, and combating the financing of terrorism;
(iii) which financier(s) will review the bidding documents and supervise procurement, for example, in relation to: (a) any request for no objection to draft bidding documents and any subsequent amendments thereof, bid evaluation reports and recommendations for contract awards, and draft contract and contract modifications; (b) responses to bidder communications and complaints; and (c) using remedies including declarations of misprocurement;
(iv) which financier will serve as the focal point for the executing agency in matters relating to procurement and to what extent this financier will exchange information with the others with respect to procurement;
(v) how the financiers will coordinate the review of withdrawal applications and approval of disbursements under the contract package; and
(vi) how the financier(s) will deal with allegations of fraud or corruption in procurement and the investigation thereof.

Negotiating and documenting these procurement arrangements requires timely consultations and close collaboration with Office of Cofinancing Operations (OCO), PPFD, and OGC.

H. Supervision of Procurement under ICB

29. Unless otherwise provided in the financing agreement, all ICB procurement undergoes review—prior or post—by ADB staff as shown in Appendix 1 of this PAI. ADB review is normally conducted at two stages in the procurement process, first at the bid document preparation and second at the bid evaluation and contract award stage. The current process for reviewing EA actions and decisions is in PAI 3.02 Parts B and L, where a table of supervision responsibility and decision authority based on contract size is presented. Guidance is provided to project divisions and to EAs and IAs in bid document preparation and review, through user’s guides in the various SBDs, and in bid evaluation and award through the Guide on Bid Evaluation.

30. Under prior review, the draft contract-specific prequalification and/or bidding documents, submitted by the EA to ADB are circulated for comments to the project counsel, procurement specialist, and in appropriate cases, the financial control specialist concerned. Since these documents are based on the agreed MBDs, comments should be provided to the originating project division within 5 working days of receipt of the documents for consolidation and transmittal back to the EA either to proceed with issuance or for amendments before issuance. Procedure for Review of Prequalification and Bidding Documents is presented in Table 1 below.

31. For ICB contracts following the first of each type, ADB intervention even under prior review may be moved until after EA issuance of documents, so that amendments to the document may still be issued before the submission deadline.
32. Under normal post review for ICB contracts, ADB review is undertaken after the evaluation stage and upon submission by the EA of all documents, including bidding document issued and the prequalification and/or bid evaluation reports. As the project divisions have primary responsibility for the approval of the documents, referral to PPFD and OGC, for legal issues, and Controller’s for currency and payment concerns, is at their option. Decision Authority for Evaluation or Award for Prequalification, Technical, and/or Financial Bids is presented in Table 2 below.

33. Tables 1 and 2 below provide more specific procedures based on contract sizes that correspond to the table of supervision responsibility and authority in Part L of PAI 3.02. Procedures are indicated for the review of bidding documents and the review of bid or prequalification evaluation. Misprocurement may be declared by whoever has supervision authority for a specific contract.

34. When submitting a procurement transaction for review and approval, the Procurement Approval Form attached as Appendix 1 to PAI 3.10 shall be used.

35. In the case of an MFF, each tranche is treated as a separate loan, and the following threshold rules apply:

- adopt the same thresholds for the same EA; and
- for new EAs, adopt the thresholds established by new project risk assessments.

36. The project division should always obtain copies of documents for all contracts and keep them on file in case a special review is necessary.

I. Publication of Award of Contract

37. For prior review contracts, a list of pre-qualified bidders and recommendations of contract award, shall be published within two weeks from the date of receipt of ADB's "No-objection" or date of contract award whichever is later. The EA shall publish the information in an English language newspaper or well-known and freely accessible website. The information shall comprise of the: (a) name of each bidder who submitted a bid; (b) bid prices as read out at bid opening; (c) name and evaluated price of each bid that was evaluated; (d) name of the bidders whose bids were rejected and reasons of their ejection; and (e) name of the winning bidder, and the price it offered, as well as the duration and summary scope of the contract awarded. For post review contracts, the EA shall publish the result not later than the date of contract award.
<table>
<thead>
<tr>
<th>Action/Decision</th>
<th>Prior Review Process</th>
<th>Post Review</th>
</tr>
</thead>
</table>
| 1) $50 million and above | - Full review based on ADB standard bidding documents prior to issuance of actual bidding document by EA:  
  o SD/RM\(^1\) and PPFD to review all sections in parallel;  
  o OGC comments on contract conditions in parallel  
  o Comments of OGC/PPFD provided to SD/RM within 5 working days for consolidation and transmittal to EA within 2 working days from receipt of comments,  
  o SD/RM to convey consolidated comments to EA within 1 working day for a total of 8 working days from receipt of bidding documents  
  - Option for subsequent bidding documents of similar contract type:  
    (i) Same reviewers but review after issuance by EA  
    (ii) EA submits immediately to ADB issued BD  
    (iii) ADB consolidated comments within 8 working days to EA with recommendation to amend BD, if any, as well as possible deadline extension | NA |
| 2) Below $50 million (except for post review (sampling)) | - SD/RM reviews based on ADB standard bidding documents and issues no-objection to issue bidding document to EA, subject to:  
  o PPFD/OGC endorsement when BDs have exceptions to MBD, or  
  o SD/RM with PPFD/OGC advice when requested for other specific issues, or  
  o SCD\(^2\) gives no-objection, with endorsement from PASS accredited staff  
  o SD/RM sends comments to EA within 8 working days  
  - For subsequent bidding documents of similar contract type:  
    (i) Same reviewers but review after issuance by EA  
    (ii) EA submits immediately to ADB the issued BDs  
    (iii) SD/RM sends comments within 8 working days to EA with recommendation to amend BD, if any, as well as possible deadline extension  
  - SD/RM may adopt streamlining measure for similar contracts | - Review is undertaken together with bid evaluation and award documents. |

| Table 1: Review of Prequalification and Bidding Documents (Based on Master Bidding Documents) |

\(^1\)SD/RM = sector division or resident mission  
\(^2\)SCD = sector or country director
### Table 2: Decision Authority for Evaluation or Award for Prequalification, Technical, and/or Financial Bids

<table>
<thead>
<tr>
<th>Action/Decision</th>
<th>Prior Review Process (Prior to award)</th>
<th>Post Review (After award)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) $50 million and above</td>
<td>• EA submits bid/PQ evaluation report to ADB (SD/RM)</td>
<td>NA</td>
</tr>
<tr>
<td></td>
<td>• SD/RM, OGC and PPFD review in parallel with review completion target of 10 working days</td>
<td></td>
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<tr>
<td></td>
<td>• Procurement Approval Form submitted to Procurement Committee for no-objection</td>
<td>NA</td>
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<td></td>
<td>• (see PAI 3.10 for detailed procedures)</td>
<td></td>
</tr>
<tr>
<td>(2) $20 million to $50 million</td>
<td>• EA submits bid/PQ evaluation report to ADB (SD/RM)</td>
<td>NA</td>
</tr>
<tr>
<td></td>
<td>• SD/RM sends copy of evaluation report to PFP1/PFP2 for review</td>
<td></td>
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<tr>
<td></td>
<td>• PFP1/PFP2 provides comments within 5 working days</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• SD/RM prepares Procurement Approval Form within 1 working day and sends completed Form to PFP1/PFP2</td>
<td></td>
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<tr>
<td></td>
<td>• SCD gives no-objection to EA action, with countersignature/endorsement from PFP1/PFP2 Director. PFP1/PFP2 director may delegate authority to senior PPFD outposted staff.</td>
<td></td>
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<tr>
<td></td>
<td>• If SD/RM and PFP1/PFP2 disagree, case elevated to the Procurement Committee</td>
<td>(Note: For exceptional cases where post review is approved for contract sizes in this range, the same procedure as for prior review will apply.)</td>
</tr>
<tr>
<td>(3) Up to $20 million</td>
<td>• 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 procurement committee</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• SD/RM reviews and SCD gives no-objection to EA action, with endorsement from PASS accredited staff within 8 working days</td>
<td>Same procedure as for prior review.</td>
</tr>
<tr>
<td></td>
<td>• SD/RM may consult PPFD/OGC on specific issues or request PC review</td>
<td></td>
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</tbody>
</table>
Procurement (Goods) under International Competitive Bidding\(^1\)
(with no prequalification, single-stage one-envelope and under prior review)

**Executing Agency**
- Finalize list of goods/ works/plant to bid (from procurement plan).
- Prepare draft invitation for bids and bidding documents.
- Advertise invitation for bids locally in English and issue bidding documents; inform ADB of the advertisement (minimum bidding period 6 weeks).
- Evaluate bids\(^b\) and recommend contract award.
- Prepare contract agreement and send to supplier.
- Send 3 copies of signed contract to ADB.
- Goods inspected and received

**Suppliers/Contractors**
- Loan/grant/advance contracting approved
- ADB review and approval\(^a\)
- ADB review and approval\(^a\) advertise invitation for bids in www.adbdocuments.
- Purchase bidding documents from executing agency and submit bid.
- Evaluate bids\(^b\) and recommend contract award.
- Sign contract agreement and return to executing agency. Provide performance security (if required).
- Delivers the goods and related services and works to the executing agency
- Payment received (from supplier’s bank under L/C procedures)

\(^a\) Prior approval not required under post review for award, but internal review and approval followed to determine eligibility for ADB financing.

\(^b\) Include due diligence and confirm that no bidder is on the ADB sanction list.

\(^1\) Standard times for each activity are set in the PRS monitoring module.
Procurement under International Competitive Bidding
(with prequalification and under prior review)

Finalize list of goods/ works/plant to bid (from procurement plan).

Loan/grant/advance contracting approved

ADB review and approval

Prepare draft invitation for bids and bidding documents.

ADB review and approval

Advertise locally in English and issue the prequalification documents; submit a report to ADB on advertising (minimum 6 week period given for submitting prequalification applications).

ADB review and approval

Purchase prequalification documents from executing agency and submit prequalification application

Prequalification applications received

Evaluate prequalification applications. Recommend prequalified firms.

ADB approval received

Issue bidding documents to prequalified firms (minimum bidding period 6 weeks).


Evaluate bids and recommend contract award

Prepare contract agreement and send to winning bidder.

Send 3 copies of signed contract to ADB.

Review signed contract; Prepare procurement contractsheet for payment purposes

Sign contract agreement and return to executing agency Provide performance security.

Contract implementation

Suppliers/Contractors

Executing agency notifies prequalified and disqualified firms.

Purchase bidding documents from executing agency and submit bid.

ADB review and approval

Loan/grant/advance contracting approved

Approval prior to next step not required under post review

The draft bidding documents can be prepared at a later stage provided that ADB approval is obtained before issuing bidding documents to prequalified firm
ICB THRESHOLDS

Table 1: Thresholds for Works (and Plant)

<table>
<thead>
<tr>
<th>Threshold</th>
<th>DMC</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>$3 million</td>
<td>BHU, CAM, COO, FIJ, FSM, KGZ, KIR, LAO, MLD, MYA, NAU, PAL, RMI, SAM, SOL, TAJ, TIM, TKM, TON, TUV, VAN</td>
<td>To be reviewed during the CPS preparation. At other times thresholds may be adjusted if justified by a market assessment.</td>
</tr>
<tr>
<td>$5 million</td>
<td>AFG, ARM, AZE, GEO, MON, NEP, PNG, UZB</td>
<td></td>
</tr>
<tr>
<td>$10 million</td>
<td>KAZ, VIE</td>
<td></td>
</tr>
<tr>
<td>$15 million</td>
<td>BAN, PAK, PHI, SRI</td>
<td></td>
</tr>
<tr>
<td>$25 million</td>
<td>INO, MAL, THA</td>
<td></td>
</tr>
<tr>
<td>$40 million</td>
<td>IND, PRC</td>
<td></td>
</tr>
</tbody>
</table>

Table 2: Thresholds for Goods

<table>
<thead>
<tr>
<th>Threshold</th>
<th>DMC</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1 million</td>
<td>BHU, CAM, COO, FIJ, FSM, GEO, KGZ, KIR, LAO, MLD, MYA, NAU, PAL, RMI, SAM, SOL, TIM, TKM, TON, TUV, VAN</td>
<td>Subject to assessment during project processing</td>
</tr>
<tr>
<td>$2 million</td>
<td>AFG, ARM, AZE, BAN, KAZ, MON, NEP, PNG, SRI, TAJ, UZB</td>
<td></td>
</tr>
<tr>
<td>$2 to $5 million</td>
<td>INO, MAL, PAK, PHI, THA, VIE</td>
<td></td>
</tr>
<tr>
<td>$3 to $10 million</td>
<td>IND, PRC</td>
<td></td>
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1 In setting the specific ICB threshold for a project, staff shall consider the assessment of the supply market, including the interest of foreign suppliers. For example, the procurement of IT software is likely to attract international firms even for relatively small contract amounts. On the other hand, the procurement of basic school furniture is usually packaged into fairly large contract amounts but will not be attractive to foreign suppliers.
Notes: Diagram is for ICB with Prior Review under ideal conditions.

For NCB with Prior Review, 30 days bidding period and 15 days period for preparation for signing contract (contract negotiations) are the targets, providing a total target of 96 days.
Notes: Diagram is for ICB with Prior Review under ideal conditions.

For NCB with Prior Review, 30 days bidding period and 15 days period for preparation for signing contract (contract negotiations) are the targets, providing a total target of 136 days.
ADVERTISING INTERNATIONAL COMPETITIVE BIDDING FOR PROCURING GOODS AND WORKS

A. Advertising Locally

1. Disseminating information on procurement contracts subject to international competitive bidding (ICB) is done by advertising invitations for prequalification or bids on adb.org and locally through either (i) an English language newspaper of general circulation in the country of the executing agency, or (ii) an internationally known and freely accessible website in English.

2. The executing agency forwards a report to ADB on the local advertisement of the invitation as soon as it is available. If prior review is used, a reminder is sent by ADB to the executing agency if the report is not received within 1 month of ADB approval of the prequalification or bidding documents. Advertising on adb.org is arranged by ADB, so the information required must be received by ADB in sufficient time to post the advertisement and meet minimum advertising time requirements.

B. Publishing Notices on adb.org and United Nations Development Business

3. ADB advertises procurement opportunities that it finances on adb.org and, through an electronic feed arrangement, United Nations Development Business (UNDB), now published online. Advertising on UNDB is, however, not mandatory as ADB has no control over its publication. UNDB carries public procurement notices on projects financed by international organizations; adb.org carries information on only ADB-financed projects, including procurement notices and contract awards.

4. Both sites contain general procurement notices (GPNs) and specific notices.

   (i) A GPN contains general information about a project that is approved or is being considered for financing and includes the following:
       ▪ the name of the borrower;
       ▪ the loan number (when available) and the title and a description of the project;
       ▪ the agency responsible for procurement, its mailing address, facsimile and telephone numbers, and email addresses;
       ▪ a description of the goods or works subject to ICB;
       ▪ a description of the goods or works subject to NCB; and
       ▪ sufficient additional information to enable potential bidders to determine their interest.

   The GPN for a project appears on adb.org for at least 1 month and preferably 3 months before the first prequalification (where prequalification is to be carried out) or bidding documents are made available for issue. In the case of advance contracting, the advance contracting notice (PAI 3.02, Appendix 4) constitutes the GPN. Publishing procurement plans will meet the requirement of publishing GPNs. Note that once new projects are entered into the project or procurement review systems, their procurement plans will automatically be generated and published at the appropriate time.

   (ii) A specific notice refers to the advertisement for prequalification (where prequalification is to be carried out) or bidding for an individual contract and
includes the following:

- the name of the borrower;
- the loan number, the title, and a description of the project;
- the agency responsible for procurement, its mailing address, email address, facsimile and telephone numbers;
- the executing agency, its address, email address, facsimile and telephone numbers (if different from the procurement agency);
- a detailed description of the works or goods to be procured under the specific contract;
- the price of the prequalification or bidding documents;
- the deadline for submitting the prequalification applications or bids;
- the place, complete address, date, and time for submission of prequalification applications or bids;
- the place, complete address, date, and time for opening prequalification applications or bids; and
- whether the domestic preference scheme will apply.

5. Publishing a specific notice for an individual contract follows immediately after the publication of the invitation for prequalification or bids in a local English newspaper of general circulation or on a well-known website.

6. In addition to the GPN and specific notice, advance information on proposed projects that are in the early stages of processing is also included on adb.org and is updated as processing proceeds. More detailed information on these projects appears later in the GPN.

7. Internal procedures for handling procurement notices are in Appendix 1. The Procurement, Portfolio and Financial Management Department (PPFD) coordinates ADB activities for preparing and publishing procurement notices on adb.org and UNDB.

C. Internal Procedures for Procurement Notices (to be published on adb.org and UNDB)

General Procurement Notices

8. During processing, the borrower is advised of the need to publish and the content of procurement notices on adb.org. Normally after the management review meeting but before loan negotiations, a draft GPN is prepared by the project division and forwarded to the executing agency for review and concurrence. An example of a GPN is in Part D of this appendix. Before the scheduled issuing of the first invitation for prequalification or bids, the project division finalizes the draft GPN with any additional information from the executing agency and transmits it to OSFMD. In the case of advance contracting the advance contracting notice (PAI 3.02 Appendix 4) constitutes the GPN. After reviewing the GPN, PPFD publishes it on adb.org.

Specific Notices

9. A specific notice is either an invitation for prequalification or an invitation for bids, the formats for which are found in every SBD. Whether for prequalification or for bidding, this specific notice is transmitted by a project division to PPFD for review together with the draft prequalification
or bidding documents.

10. PPFD reviews the draft specific notice for consistency with the approved prequalification or bidding document, and either returns the draft specific notice to the project division with comments for their concurrence or prepares the specific notice for publication.

11. When contents of the specific notice are agreed between the project division and PPFD, PPFD publishes it in adb.org and also sends it to UNDB to be published. Publication of invitations for bids is not required for the same contract for which the prequalification invitation has already been published in adb.org.

12. In transmitting ADB’s approval of draft prequalification or bidding documents, the executing agency is advised that a specific notice will be published on adb.org and forwarded to UNDB.

D. Example of General Procurement Notice¹ (to be published on adb.org and UNDB online)

Date: XX XXXXX 2013

Country/Borrower: XXXX

Loan Number: XXXX-XXX: Regional Road Project

Name and Address of the Executing Agencies:

Roads and Highways Department
c/o Chief Engineer
Contact Person: Mr. XX, Project Director/ Additional Chief Engineer
Fax Number: _______________
E-mail: ____________________

Land Port Authority c/o Chairman
Contact Person: Mr. XX, Project Director/___________
Fax Number: _____________

Brief Description of the Project:

The Regional Road Project will upgrade about 70 kilometers of the XYZ Corridor to four lanes. It will also improve two land ports at AAA and BBB and strengthen the capacity of the road sector and land port operations.

Brief Description of Goods and Related Services, Works, or Consulting Services to be Procured:

Under the project, about seven contracts for civil works—four-laning of roads, land port

¹ New projects, once entered into the project review system or the procurement review system (formerly manage procurement), will have their procurement plans automatically generated and published at the appropriate time.
improvements, and building construction—will be procured under international competitive bidding (ICB) in accordance with ADB Procurement Guidelines (2013, as amended from time to time).

Consultants for project implementation and operational efficiency improvement will be recruited in accordance with The Guidelines on the Use of Consultants by the Asian Development Bank and its Borrowers (2013, as amended from time to time).

It is expected that bidding for the first works contract will commence in Q4 2013.
DOMESTIC PREFERENCE SCHEME

A. Introduction

1. The ADB domestic preference scheme shall be applied only in evaluating bids under international competitive bidding (ICB). Procurement through other methods such as national competitive bidding (NCB), shopping, and limited international bidding are not eligible for the domestic preference scheme. The scheme grants a margin of preference for domestically manufactured goods to be procured and domestic contractors to be engaged under ADB-financed projects. The principal basis for domestic preference as applied to procurement is in Appendix 2 of the ADB Procurement Guidelines.

B. Implementing the Preference Scheme

2. Domestic preference for goods, turnkey, and works contracts will be applied only if:

   - requested by the borrower; and
   - provision is made in the financing agreement (or through a separate exchange of letters); and
   - bidding documents specify how the preference will be applied when comparing bids; and
   - the country has remained eligible at the time of advertising the contract.

3. Provision for implementing the scheme is included in the procurement plan. If provision is not included in the procurement plan and the borrowing country subsequently wishes to adopt the scheme, arrangements can be specified in an exchange of letters or subsequent updates to the procurement plan. Even after provision for preference is included either in the procurement plan or by an exchange of letters, its application to individual contracts is still at the option of the executing agency or borrower. The procurement plan states the basis for comparing bids for goods, turnkey, or works contracts and the procedure for comparing them when the scheme is applied.

4. The user's guides to ADB standard bidding documents (SBDs) include appropriate provisions for the use of the domestic preference scheme. The following provides additional background and guidance.

C. Domestic Preference for Goods

5. All borrowers may request preference for the procurement of domestically produced goods. Related incidental services are not eligible for the preference.

6. The scheme provides that

   - domestically manufactured goods are eligible for preference compared with imported goods only if the proportion of domestic value added is equal to 30% or more of the EXW (ex works, ex factory, ex warehouse, ex showroom, or off-the-shelf, as applicable) bid price;
   - the reckoning of the 30% domestic value added is applied to the total EXW bid price of goods and not just to one item in a list; and
• domestic preference cannot be applied to goods offered in a schedule if one item has more than 30% domestic value added but the total domestic value added does not result in the required minimum 30% of the total price of the schedule.

7. Where there is any doubt about eligibility for preference for any domestic goods for which bids have been invited, the borrower assesses the proportion of domestic value added locally to see if it meets the required minimum.

8. Domestic value added generally comprises domestic labor, the domestic content of materials, domestic overheads, and profits from the stage of mining the raw material until final assembly. If calculating domestic value added is difficult and time consuming, a rule based on the direct import content of the goods can be used as a proxy. If the direct import content under cost, insurance, and freight (CIF or CIP) is less than 50% of the quoted EXW price, the goods are eligible for the preference.

9. Before agreeing to include domestic preference in the financing agreement or bidding documents, ADB must be satisfied that the borrowing country has the manufacturing capacity and experience necessary for adding the minimum value required to goods intended to benefit from the preference. If at the time of signing the financing agreement, there is inadequate information about the goods to be procured (for example in a sector project), provision of the preference may be included in the financing agreement (the financing agreement would be written as if manufacturing capacity exists for some of the goods to be procured). In such cases, the capacity to produce the required goods domestically would be assessed when bidding documents are prepared for the goods to be procured.

10. As part of their bids, bidders are required to certify that the necessary manufacturing capacity exists where local value is to be added.

11. Two methods for applying the preference are described in the SBD for the procurement of goods. Method A is for bids with all domestically manufactured goods and bids with goods manufactured outside of the borrowing country, while method B is for use when all bids have a combination of domestically manufactured goods and goods manufactured outside.

D. Domestic Preference for Works Contractors

12. Preference will be extended only to domestic contractors for civil works in countries with an annual per capita GNP that is less than the limit set. ADB adopts the limits set each year in the The World Bank Operational Manual, Operational Policies OP3.10 Annex D. The current eligibility threshold as well as current GNIs for ADB client countries can be found at OpsPedia.

13. Domestic contractors may be eligible for preference for works contracts that may include construction, land clearing and leveling, land development, field drainage, well drilling, site clearing for urban projects, installation of water supply mains, erection of electricity lines, aerial photography, mapping, or crop spraying.

14. To be eligible, contractors must be determined to be genuine domestic contractors. The SBDs include specific agreed upon criteria for eligibility that are included in the specific bidding

1 Formerly COSOpedia: an online knowledge sharing facility
document to be issued. ADB will not object if the borrower wishes to grant preference to state-owned construction corporations or firms provided that they are eligible to bid. PPFD advises on any problems arising when applying the scheme while the Office of the General Counsel advises on any specific legal issues arising when applying the scheme. If necessary, the procurement committee makes the final decision.

E. Domestic Preference for Turnkey Contracts and Contracts for Goods and Related Services involving Multiple Items

15. A margin of preference may be applied to domestically manufactured goods in single-responsibility turnkey (including design-build) contracts and in large and complex contracts for goods and related services with (i) discrete items of goods and supplies grouped in one contract package and (ii) when the cost of goods and supplies for permanent works is estimated prior to bidding to be equal to or to exceed 60% of such works.

References

1. Procurement Guidelines.
2. R108-91: Review of Domestic Preference Scheme, 8 August