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**Review of Member Country
Procurement Eligibility Restrictions at the
Asian Development Bank**

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ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
AfDB	–	African Development Bank
AfDF	–	African Development Fund
DMC	–	developing member country
EBRD	–	European Bank for Reconstruction and Development
GPA	–	General Procurement Agreement
IADB	–	Inter-American Development Bank
MDB	–	multilateral development bank
OCR	–	ordinary capital resources
PPP	–	public–private partnership

NOTE

In this report, "\$" refers to US dollars.

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

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EXECUTIVE SUMMARY

In financing procurement of goods and services in its operations, the Asian Development Bank (ADB) is constrained by legal restrictions that tie procurement generally to ADB membership. Donors to the Asian Development Fund (ADF) have asked ADB to report on possible options to ease these restrictions in light of the Paris Declaration on Aid Effectiveness.

ADB member country procurement eligibility restrictions are specified in the Agreement Establishing the Asian Development Bank (the Charter), the rules and regulations applicable to ADB Special Funds, and ADB policies on procurement. The procurement eligibility restrictions were originally introduced as an incentive for developed countries to join ADB and to contribute to ADB Special Funds.

Under Article 14(ix) of the Charter, the ADB Board of Directors may waive member country procurement eligibility restrictions on procurement from ordinary capital resources in “special circumstances.” It may also waive procurement eligibility restrictions included in the rules and regulations applicable to ADB Special Funds and in ADB policies on procurement. From January 2003 to October 2011, the Board of Directors approved 30 waivers of these restrictions.

ADB and the Inter-American Development Bank are the only multilateral development banks that continue to tie procurement to member countries for almost all procurement. The African Development Bank maintains charter-based member country restrictions for procurement financed from its ordinary capital resources, but in 2008 introduced universal procurement for its concessional financing. The other comparators, the World Bank and the European Bank for Reconstruction and Development, apply universal procurement.

While the need for country procurement eligibility waivers has been infrequent at ADB, several factors support a more liberal approach to procurement from non-ADB-member countries. First, open procurement results in greater aid effectiveness by reducing recipient country transaction costs. Second, rule-of-origin eligibility restrictions—which require goods, works, and services to be sourced from particular countries—may cause difficulties when development partners with different procurement eligibility requirements cofinance procurement packages. Third, ADB's member country procurement eligibility restrictions do not fit well with broader development effectiveness initiatives aimed at increasing the use of country systems in procurement and promoting expansion in global economic trade between development partners and developing member countries.

At the same time, the economic impact of any such liberalization on ADB member countries is unlikely to be substantial. Recent statistics on procurement under projects financed by the World Bank indicate that of the 32 World Bank borrowers that are currently borrowers or grant recipients from ADB, 27 (over 80%) procure more than 90% of their goods, works, and services from ADB member countries. These and other statistics suggest that with open procurement eligibility, significant increases in the proportion of procurement sourced from non-ADB-member countries are unlikely, with the possible exception of developing member countries that were part of the former Soviet Union.

ADB's existing member country procurement eligibility restrictions could be eased in various ways.

The Charter could be amended by a special majority of the Board of Governors (under Article 59), although this has never occurred and ADB member countries may be reluctant to undertake the complex and time-consuming national processes to ratify an amendment to the Charter. The procurement eligibility requirements of Special Funds and trust funds could be modified by agreement between ADB and the donor(s), and amendments could be made to the rules and regulations governing Special Funds, such as the ADF. The ADB Board of Directors has the power to amend ADB policies on procurement.

If amendments to the Charter and/or the removal of restrictions from rules governing Special Funds and ADB policies are considered undesirable, several options for partial liberalization may be considered. These include (i) continuing the practice of seeking waivers on a case-by-case basis; (ii) providing blanket waivers for projects in specific countries or a specific region (such as Central and West Asia), where trade patterns make procurement eligibility more of an issue than elsewhere; (iii) providing blanket waivers for projects that receive a blend of OCR and ADF funding, if procurement from one of those sources has been liberalized; and (iv) providing blanket waivers for projects that are cofinanced jointly by ADB and one or more development partners.

The paper discusses the advantages and disadvantages of each of these options.

I. INTRODUCTION

1. During the negotiations for the ninth replenishment of the Asian Development Fund (ADF X), progress of the Asian Development Bank (ADB) in meeting the objectives of the Paris Declaration on Aid Effectiveness was assessed. In this context, the issue of universal procurement was discussed. For the ADF X midterm review, ADB submitted a paper describing ADB's existing member country procurement restrictions, its practice of seeking case-by-case waivers from these restrictions for specific projects, member country procurement restrictions of other multilateral development banks (MDBs), policy considerations and the potential impact of procurement liberalization, and possible ways to ease ADB's restrictions. The current paper is an update of the ADF X midterm review paper.

II. CURRENT RESTRICTIONS

2. **Charter restriction.** In financing procurement of goods and services in its operations, ADB is constrained by legal restrictions that tie procurement to ADB membership, subject to the possibility of exceptions approved by the Board of Directors in "special circumstances." For ADB ordinary capital resources (OCR) and for Special Funds resources that originate from OCR, these restrictions follow directly from Article 14(ix) of the Agreement Establishing the Asian Development Bank (the Charter).¹ For ADB Special Funds resources (including the ADF), the restrictions generally follow from the rules established for the special fund concerned.²

3. **Restrictions in Special Funds rules.** Article 19 of the Charter provides the legal basis for ADB Special Funds. Pursuant to this article, ADB has established eight Special Funds.³ The rules and regulations of all the funds contain restrictions that generally tie procurement either to (i) the contributor countries and ADB developing member countries (DMCs), or (ii) ADB member countries generally.

4. **Restrictions in ADB policies and trust fund rules.** ADB sets out its policies on procurement in its Procurement Guidelines (2010, as amended from time to time) and Guidelines on the Use of Consultants (2010, as amended from time to time). These policies generally tie procurement of goods and services to ADB membership.⁴ They apply to projects

¹ ADB. 1965. *Agreement Establishing the Asian Development Bank*. Manila. Article 14(ix) of the Charter provides "The proceeds of any loan, investment or other financing undertaken in the ordinary operations of the Bank or with Special Funds established by the Bank pursuant to paragraph 1(i) of Article 19, shall be used only for procurement in member countries of goods and services produced in member countries, except in any case in which the Board of Directors by a vote of the Directors representing not less than two-thirds of the total voting power of the members, determines to permit procurement in a non-member country or of goods and services produced in a non-member country in special circumstances making such procurement appropriate, as in the case of a non-member country in which a significant amount of financing has been provided to the Bank."

² These rules are based on Article 19.4 of the Charter, which provides "The Bank shall adopt such special rules and regulations as may be required for the establishment, administration and use of each Special Fund. Such rules and regulations shall be consistent with the provisions of this Agreement, excepting those provisions expressly applicable only to ordinary operations of the Bank."

³ These are the (i) Asian Development Fund (ADF), (ii) Technical Assistance Special Fund (TASF), (iii) Japan Special Fund, (iv) Asian Development Bank Institute Fund, (v) Asian Tsunami Fund, (vi) Pakistan Earthquake Fund, (vii) Regional Cooperation and Integration Fund, and (viii) Climate Change Fund.

⁴ Section 1.2(a) of the Procurement Guidelines provides that " ... the proceeds of ADB financing can be used only for procurement of goods and works supplied from, and produced in, member countries of ADB, except in any case in which the Board of Directors determines otherwise under Article 14(ix) of the Articles of Agreement of ADB." Section 1.13 of the Guidelines on the Use of Consultants stipulates "[t]o foster competition, ADB permits firms and individuals from all ADB member countries to offer consulting services for projects to be financed by ADB."

financed by ADB loans or grants and to projects financed by ADB-administered funds, including the almost 40 trust funds administered by ADB's Office of Cofinancing Operations.⁵

5. **Rationale for the Charter restriction.** A report of the Preparatory Committee on the Asian Development Bank, which was tasked with drafting the Charter, summarized the discussion on Article 14(ix) of the Charter as follows:⁶

41. There was considerable discussion on this sub-paragraph, which relates to the utilization of the proceeds of a loan, investment or other financing undertaken in the ordinary operations of the Bank for the procurement of goods and services in the territories of member countries. It was argued that the provisions of the sub-paragraph could prevent the borrower from the Bank from buying in the most competitive market, particularly if some of the important industrialized countries did not become members of the Bank. It was stated in turn that there were already clear indications of several major industrial countries desiring to join the Bank and that those countries represented very considerable and major sources of supply of developmental goods. Moreover it was pointed out in support of a limitation of procurement to goods and services produced in member countries that such a provision would provide an incentive to the industrialized countries to become members of the Bank. It was also stressed that nominal subscriptions (offered) by non-regional countries in order to gain membership of the Bank should be discouraged. Finally, the Preparatory Committee decided to limit procurement generally to member countries.
42. Provision was made, however, for exceptions in special circumstances, for example, in the case of a non-member country in which a significant amount of financing has been provided to the Bank. This example, however, was not intended to be exclusive.

6. At the time of framing the Charter in the mid-1960s, the drafters considered arguments both in favor of and against tying procurement financed from OCR to member countries. At that time, the prevailing argument was that developed ("industrialized") countries should have an incentive to join ADB by restricting ADB procurement to goods and services from member countries. At the same time, the drafters of the Charter recognized the need to leave room for deviation from the main rule set out in Article 14(ix). Thus, procurement from nonmember countries is permitted, provided special circumstances make this appropriate and such procurement is sanctioned by a vote of the Board of Directors representing at least two-thirds of the total voting power of its members.

7. **Rationale for restrictions on Special Funds and ADB-administered trust funds.** The ADF and the Technical Assistance Special Fund (TASF) are the only two Special Funds to contain member country procurement restrictions in their regulations. The restrictions were introduced for the same reason as the Charter restriction on OCR, i.e., to attract contributions

⁵ ADB. 2010. *Procurement Guidelines*. Manila, Section 1.1, footnote 1; and ADB. 2010. *Guidelines on the Use of Consultants*. Manila, Section 1.1.

⁶ Preparatory Committee on the Asian Development Bank. 1965. *Report of the Preparatory Committee on the Draft Agreement*. Bangkok.

by offering reciprocity.⁷ The only requirement for procurement using other ADB Special Funds or the ADB-administered trust funds is that ADB policies and procedures are followed. Unlike some other MDBs, ADB has consistently declined to accept cofinancing resources if procurement is tied to the nationality of the contributor.

III. WAIVERS OF PROCUREMENT RESTRICTIONS AT ADB

8. From January 2003 to October 2011,⁸ the ADB Board of Directors received 30 requests for waivers of the procurement restrictions, all of which have been approved. Appendix 1 lists the details of each waiver. A brief assessment follows.

- (i) **Official cofinancing.** In 13 cases, the waiver served to enable contributions from cofinanciers whose eligible source countries for procurement include non-ADB-member countries.⁹ Such situations are likely to continue to occur. In general, the Office of Cofinancing Operations does not view the existing procurement restrictions as a limiting factor in obtaining cofinancing from most actual or potential donors.¹⁰ However, the European Investment Bank and the European Union are important exceptions. While the European Investment Bank is willing to provide cofinancing on the basis of case-by-case waivers, the European Union indicates that it expects broader steps to liberalization before it commits any significant resources to cofinancing with ADB.¹¹
- (ii) **Construction projects in Central and West Asia.** In 14 cases, waivers were proposed to allow procurement of road or other construction materials from nonmember countries. These cases all involve projects in Central and West Asia, including seven projects in Afghanistan.¹² DMCs from Central and West Asia have the largest share of imports from nonmember countries (para. 19). This situation is likely to continue.
- (iii) **Most waivers involve Special Funds.** Waivers were approved for expenditures under ADF loans and grants in 22 cases (excluding blended loans) and for expenditures under grants from other Special Funds (excluding ADF) in seven cases. For expenditures under OCR loans (excluding blended loans), a waiver was sought in only two cases.

⁷ The concept of reciprocity (i.e., only developed members that contribute to the ADF are eligible sources for procurement) is explicitly mentioned in the Board of Governors' resolution establishing the ADF. The TASF regulations specifically mention that if a nonmember country provides resources to the TASF, such resources may also be used for procurement in that nonmember country, indicating that the prospect of reciprocity was intended to provide an incentive to contributors to the TASF as well.

⁸ Before 2001, requests for waivers of procurement restrictions were infrequent; they have since increased. Eight requests were submitted in 2010.

⁹ In a reverse situation, the ADB Board of Directors recently granted a blanket waiver of procurement restrictions to enable contributions from ADB to the United Nations Children's Fund (UNICEF).

¹⁰ In many cases, the development partner simply attaches no importance to ADB's member country restrictions, or the issue never arises, or it is resolved through parallel financing.

¹¹ Cofinancing with the European Union has been declining: €103 million in 2004, €39 million in 2005, €30 million in 2006, €17 million in 2007, €3.9 million in 2008, €5.7 million in 2009, and nothing in 2010.

¹² Proximity to Middle Eastern countries and the Russian Federation makes procurement of oil-based materials (primarily bitumen) from those countries significantly more efficient and economic than from ADB member countries. In four cases, a waiver was requested to enable the procurement of railway and other equipment that is unique to states of the former Soviet Union at competitive prices in the Russian Federation.

IV. EXPERIENCE OF OTHER MULTILATERAL DEVELOPMENT BANKS

9. **Charter restrictions.** Of the other main MDBs, only the African Development Bank (AfDB) has charter-based member country restrictions. The restrictions may be waived by the AfDB Board of Directors; this has occurred on an ad hoc basis. In 2008, the terms of the concessional African Development Fund (AfDF) were modified to enable universal procurement for procurement from its resources (para. 11). However, this does not apply to AfDB ordinary capital resources and the AfDB charter provision remains unchanged. No charter restrictions exist at the European Bank for Reconstruction and Development (EBRD), the Inter-American Development Bank (IADB), and the World Bank.

10. **Policy restrictions.** IADB's charter does not restrict procurement eligibility. From its inception in 1959 until mid-1967, IADB pursued a policy of wide procurement eligibility, allowing procurement from its own members, from nonmember countries that were members of the International Monetary Fund, and from Switzerland. However, as part of a resource mobilization exercise, in mid-1967 IADB's Board of Directors decided for the first time to establish a link between procurement eligibility and contribution to the bank's resources, although not necessarily in the form of membership¹³. It introduced member country procurement eligibility restrictions similar to ADB's in 1974.¹⁴ Unlike ADB, IADB could move to universal procurement with a decision of its Board of Directors. It briefly considered doing so in 2005 as part of a comprehensive review of the bank's procurement policies, but it chose to maintain a policy-based member country tie. The World Bank originally had no member country procurement eligibility restrictions, but in 1956 it decided to limit eligibility to International Bank for Reconstruction and Development members and Switzerland. Such country eligibility limitations became increasingly irrelevant as more countries joined as members. In 2004, the World Bank introduced universal procurement with a decision of its Board of Directors; again, no charter constraints applied. EBRD has always applied universal procurement, both to promote increased competition to obtain goods and services more economically and efficiently, and to give less-developed nonmember countries the opportunity to tender for bank contracts.

11. **African Development Bank experience with liberalization.** In 2008, the Agreement Establishing the African Development Fund was amended to permit universal procurement for AfDF-funded transactions. Previously, procurement was tied to AfDB membership and AfDF participants (a rule commonly referred to as rule-of-origin procurement). Unlike the provisions governing ADB Special Funds, the original AfDF provisions did not permit the AfDB Board of Directors to waive member country procurement restrictions on a case-by-case basis.¹⁵ Even though universal procurement was introduced for the AfDF, AfDB continues to retain provisions in its charter (similar to those of ADB) that tie procurement for operations funded from its OCR to AfDB membership. The AfDB charter does permit waivers on a case-by-case basis.¹⁶

¹³ Less developed countries that were members of the International Monetary Fund continued to be eligible sources of procurement, regardless of their membership or their contribution to IADB's resources.

¹⁴ Inter-American Development Bank. 2006. *Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank and Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank*. Washington DC.

¹⁵ African Development Bank. 2007. *AfDF Procurement Rules of Origin: Discussion Paper (AfDF-11 Replenishment: 2nd Consultation Meeting)*. Tunis, June 2007, para. 2.3. However, the AfDF "rule of origin" was held not to apply to budget support operations financed by the AfDF "...because such operations by their nature are participations by the [AfDF] in financing the budget of an eligible RMC [regional member country] and thus such financing does not raise issues of direct procurement." (para. 2.4).

¹⁶ The AfDF discussion paper (footnote 12) notes that during the AfDF donor replenishment consultation meeting, AfDF management included as one of its recommendations that universal procurement should also be considered for AfDB's ordinary operations because "...the rationale for recommending the adoption of universal procurement for [AfDF] operations applies *mutatis mutandis* to procurement in [AfDB] operations" (para. 4.7). However, to date, no indications are available that this approach is under active consideration by AfDB.

12. AfDB cited the following considerations in the decision to introduce universal procurement for AfDF-funded operations. First, limiting the pool of potential suppliers by applying the rule of origin increases procurement costs for recipients. Second, restricted procurement increases the administrative burden on recipients and donors, and tends to promote capital-intensive imports or technical expertise predominantly from donor countries. Third, such procurement negatively affects the competitiveness of the AfDF as it limits its participation in sector approaches and other multidonor instruments unless mechanisms are introduced to ensure rule of origin. Fourth, for fragile or postconflict areas requiring a particularly high degree of flexibility, coordination, and responsiveness, restrictive procurement is a major handicap.¹⁷ The considerations echo many of the themes described in paras. 14–19.

13. Against such adverse consequences, the main advantage of applying the AfDF's rule of origin is identified as the incentive such restrictive procurement eligibility provides to nonmember countries to contribute and join the AfDF to share in potential benefits from AfDF-financed procurement. However, the AfDF Board of Directors reached the conclusion that donor commitments and recent developments suggest that elimination of the rule of origin would not result in any loss of resources for the AfDF.¹⁸ Four possible scenarios to introduce universal procurement in AfDF operations were identified for Board consideration: (i) introduce an exception to rule-of-origin requirements only in cases of joint cofinancing arrangements; (ii) permit open procurement unless required otherwise by specific donor arrangements; (iii) permit universal procurement for all AfDF operations; and (iv) allow the Board of Directors to permit open procurement only on a case-by-case basis (similar to the approach taken in the ADB Charter) (footnote 12, para. 4.1). The third option was approved for the AfDF. AfDB has informed ADB that it has no significant developments or new insights to report for the AfDF because open procurement was introduced only in 2008.¹⁹

V. PROCUREMENT POLICY CONSIDERATIONS AND POTENTIAL IMPACT

14. The term tied aid typically involves situations in which procurement is restricted to suppliers from a particular country offering the financial assistance.²⁰ Since ADB membership comprises a wide range of countries, ADB resources are not tied in that narrow sense. ADB and its DMCs have enjoyed the benefit of a relatively competitive set of supply sources for goods, works, and consulting services. Overall, this has resulted in ADB procurement procedures that have been competitive and have served the needs of borrowers.²¹ The need to obtain country

¹⁷ African Development Bank. 2008. AfDF Draft Board Memorandum (ADF/BG/WP/2008[]), paras. 3.1–3.4; AfDF discussion paper (footnote 12), paras. 3.5–3.8.

¹⁸ AfDF memorandum (footnote 14), para. 4.2, particularly (i)–(iv); AfDF discussion paper (footnote 12), para. 4.8.

¹⁹ July 2010 and August 2011 communications from AfDB's Procurement and Fiduciary Services Department in response to an ADB request for an update on the AfDF's implementation of universal procurement.

²⁰ See, for example, Development Assistance Committee, Organisation for Economic Co-operation and Development. 2008. *Recommendation on Untying ODA to the Least Developed Countries and Heavily Indebted Poor Countries*. Paris. p. 3. In the most recent assessment of the impact of the 2001 Development Assistance Committee recommendation on untying aid, three "tying status" categories are set out, including "partially untied aid." Development Assistance Committee, Organisation for Economic Co-operation and Development. 2009. *Untying Aid: Is it Working? Evaluation of the Paris Declaration (OECD Untying Aid Report)*. Paris. Table 2.1, p. 5.

²¹ In ADB's early years, donors to ADB's Special Funds were permitted to stipulate further restrictions than those set forth in Article 14(ix) of the Charter and to tie procurement from their contributions to a limited group of ADB member countries, such as the donor country and DMCs. To ensure that projects funded from the Special Funds with such tied contributions could procure all the necessary production inputs, ADB contributed some of its OCR to those Special Funds so that these "set-aside" resources could be used to source procurement from a much broader range of countries. The complexity of this arrangement was one of the factors that subsequently prompted ADB and its members to "open up" procurement under all its Special Funds and to tie procurement eligibility to ADB membership generally.

procurement eligibility waivers for ADB projects and programs has generally been infrequent and exceptional.²² ADB's current procurement procedures have generally served its DMCs well in promoting competition and transparency.²³ When DMCs have shown the need to source goods and services outside ADB member countries, the ADB Board of Directors has approved the waivers. On the other hand, at the level of principle, several factors support greater procurement liberalization from non-ADB-member countries.

15. First, open procurement increases aid effectiveness by reducing recipient country transaction costs. Harmonization and alignment of procurement rules and procedures have important benefits in their own right. DMC executing agencies are not forced to distinguish between often inconsistent donor requirements, and more effective donor collaboration and coordination is promoted.²⁴ From a market perspective, increasing intercountry (and intra- and interregional) interdependence and integration of global supply chains make eligibility restrictions difficult to apply. Rule-of-origin eligibility restrictions, which require goods, works, and services to be sourced from particular countries, undermine optimal price competition and limit the range of value-for-money options because of the inability to permit broader participation by potential bidders for goods, equipment, works, and services.

16. Rule-of-origin restrictions may cause difficulties in implementation when procurement packages are cofinanced by donors with different procurement eligibility regimes, leading to inconsistency in applying the qualification criteria for eligible bidders. Moreover, in practice, the use of common bid documentation will be problematic. In such cases, bid packages may need to be separated into subpackages (assuming this is feasible) for parallel cofinancing by the relevant donor, with each donor using its own bid documentation that reflects its bid eligibility requirements. In public-private partnership (PPP) infrastructure projects—both sovereign and nonsovereign²⁵—that involve single-responsibility procurement (where, typically, turnkey contracts covering design, supply, construction, and commissioning of the relevant plant are used), effective supply-chain integration is particularly important given the large-scale and long duration of such transactions.²⁶ This means that consortia bidding for such PPP projects should be permitted to select suppliers, subcontractors, and supply sources, from the country or source that allows them to submit the most economically advantageous bids. A related situation occurs when more economic and efficient procurement suggests “volume agreements” for supplies of

²² Appendix 1 shows the following number of waivers in the period from January 2003 through October 2011: 2003, two waivers; 2004, three waivers; 2005, three waivers; 2006, two waivers; 2007, four waivers; 2008, four waivers; 2009, two waivers; 2010, eight waivers; 2011, three waivers.

²³ While no objective data are available to confirm this, one additional potential benefit of procurement liberalization may be more cost-effective procurement because of the perception of increased competition among suppliers, contractors, and consultants.

²⁴ It is noted in the *OECD Untying Aid Report* (footnote 18) that “tied aid raises the costs of goods, services and works by 15% to 30% on average, and by as much as 40% or more for food aid,” p. 1. The report notes ways in which tied aid can, in addition to resulting in higher direct costs, indirectly reduce the value of aid transfers: “...Other non-price factors [of tied aid] can entail actual reductions in the stream of potential development benefits of the transfer, such as delays in delivery, the quality of funded goods and services, the inefficient allocation of resources following from highly inappropriate or lower priority purchases or selection of projects ... e.g., infrastructure [including] factors related to the trade impacts of tying, where it becomes a barrier to accessing markets and promoting inter-regional trade, or impacts on the local market...” p. 26.

²⁵ Under ADB's Procurement Guidelines (section 3.13), member country eligibility restrictions also apply to private sector transactions and PPP-type financing.

²⁶ This may occur, for example, under “design, build, operate” and “design, build, finance, operate” agreements (the latter are typically long-term concessions to private sector operators), both of which include turnkey or engineering, procurement, construction arrangements that need to maximize global supply chain integration and economies of scale.

particular types of goods but, because of different procurement eligibility regimes (with different cofinanciers), the preferred volumes must be limited to less than optimal quantities because of the need to segregate (or subdivide) bid packages.

17. It can be argued that continued use of ADB's member country procurement eligibility restrictions reduces the effectiveness of broader development effectiveness initiatives aimed at increasing the use of country procurement systems²⁷ and promoting expansion in global economic trade (aid for trade)²⁸ between donor and DMC partners. The restriction of procurement eligibility to ADB member countries is seen as a donor-driven requirement that is not part of a DMC's national procurement regime and may, in particular circumstances, prevent application of the most economic and efficient sourcing of goods, works, and services for projects in DMCs. Furthermore, member country procurement eligibility restrictions are not consistent with the open "market access" and "national treatment" provisions of the World Trade Organization Agreement on Government Procurement (GPA).²⁹ No borrowing DMC is currently a signatory to the GPA, although several are reported to be actively considering accession.³⁰

18. The economic impact of the removal of member country procurement eligibility restrictions is unlikely to be substantial.³¹ Recent statistics on procurement for projects financed by the International Development Association and the International Bank for Reconstruction and Development for January 2004–August 2011 indicate that, of the 32 International Development Association and International Bank for Reconstruction and Development borrowers currently borrowing or receiving grants from ADB, 27 (over 80%) procure more than 90% of their goods, works, and services from ADB member countries (Appendix 2). Procurement under World Bank-financed projects from non-ADB-member countries was in excess of 15% in only two DMCs during this period: Georgia (15.72%) and Tajikistan (17.96%).

19. This pattern of procurement is borne out by recent import statistics indicating that most DMC imports are also from ADB member countries (Appendixes 3, 4, 5, and 6).³² For example, DMC imports from non-ADB-member countries averaged 17.49% of total imports in East Asia and 12.62% in Southeast Asia from 2004 to 2010. The region with the highest non-ADB-member country imports is Central and West Asia at 38.76%, followed by South Asia at 34.99%. These figures suggest that, with open procurement eligibility, significant increases in the proportion of procurement sourced from non-ADB-member countries are unlikely, with the possible exception of countries that formed part of the former Soviet Union.³³

²⁷ ADB. 2009. *Progress on Paris Declaration: Results of the 2008 Survey*. Manila. For example, indicator 9 of the Paris Declaration measures the promotion of harmonization through collaborative and program-based approaches.

²⁸ See, for example, ADB. 2009. *Aid for Trade in Asia and the Pacific: Report on the 2nd Global Review of Aid for Trade*. Manila.

²⁹ For instance, Article IV of the GPA states: "...A Party shall not apply rules of origin to products and services imported or supplied for purposes of government procurement covered by this Agreement from other parties, which are different from rules of origin applied in the normal course of trade..."

³⁰ In Asia, the current GPA signatories are Hong Kong, China; Japan; Republic of Korea; Singapore; and, most recently, Taipei, China. The People's Republic of China is currently negotiating accession to the GPA.

³¹ Of course, this may serve as an argument both for and against universal procurement.

³² Appendixes 4, 5, and 6 provide a more detailed breakdown of the leading imports from ADB and non-ADB countries for the top DMC borrower in each of ADB's five regions in 2008, 2009, and 2010.

³³ The fact that such countries request waivers to allow procurement of road or other construction materials from nonmember countries relatively frequently suggests that these countries may significantly increase the procurement of materials from nonmember countries in the case of open procurement eligibility.

VI. OPTIONS FOR THE FUTURE

20. Possible options to ease ADB's existing member country procurement eligibility restrictions range from complete removal of restrictions to partial liberalization.

21. **Removing OCR restrictions from the Charter.** Complete removal of the procurement restrictions from the Charter would clear the way for all DMCs (and ADB itself) to procure all ADB-financed goods and services on a fully untied basis in the most competitive market, provided that the restrictions are also removed from ADB Special Funds rules and operating policies and procedures (paras. 22–24). In that case, the same eligibility rules would apply across all ADB operations, regardless of the source of funding. This would ensure simplicity and efficiency. A possible way to remove the restrictions is by amending the Charter. Article 59 of the Charter sets out the procedures for amendment.³⁴ However, ADB member countries may be reluctant to undertake the complex and time-consuming national processes to ratify such an amendment unless the proposed changes are compelling rather than merely desirable. Member countries also have an obligation (under Article 57 of the Charter) to give effect in their territories to ADB Charter provisions. Depending on national legal systems, legislation may therefore be needed for approval to amend the Charter and/or to implement the changes.

22. **Removing restrictions from Special Funds rules.** Universal procurement can be introduced for Special Funds by amending their rules and regulations, and ADB procurement policies and procedures. Adopting such amendments would be much simpler and quicker than amending the Charter. For the ADF, the amendment would require the prior consent of every contributor, a special resolution of the Board of Directors to amend the ADF regulations,³⁵ and approval from the Board of Governors to amend Resolution 62.³⁶ To introduce universal procurement for the Asian Tsunami Fund, the Japan Special Fund, the Pakistan Earthquake Fund, and the TASF, approval from the Board of Directors would be required as well as consultation with or (in the case of the Japan Special Fund) consent from contributors.³⁷ For the other Special Funds, universal procurement would be available once ADB policies and procedures allow it; no further action would be required.

23. A possible disadvantage of establishing universal procurement for Special Funds only would be that ADB-financed projects would no longer operate under uniform procurement eligibility rules, which would be awkward for ADB staff and cofinanciers. It would also be potentially disruptive for executing agencies and potential contractors, consultants, and suppliers in countries eligible for both OCR and ADF funding. Projects with a mixture of OCR and ADF funding would presumably require special arrangements (para. 25 [iii]).

³⁴ Article 59.1 provides that the Charter "may be amended only by a resolution of the Board of Governors approved by a vote of two-thirds of the total number of Governors, representing not less than three-fourths of the total voting power of the members."

³⁵ Section 1.02 of the ADF Regulations defines a special resolution of the Board of Directors as a resolution "which is approved by a majority of the Directors, representing not less than two-thirds of the total voting power of the members of ADB."

³⁶ Resolution No. 62, para. 3(c) provides "Except to the extent otherwise authorized by the Board of Governors, contributions to the Fund shall be drawn down to finance, on a reciprocal basis, procurement in all contributor countries and developing member countries of the Bank, of goods and services produced in and services supplied from such countries."

³⁷ More specifically, approval from the Board of Directors would be required for an amendment of Section 3.04 of the TASF regulations. For the Japan Special Fund, Japan would have to agree to an amendment of the letter agreement dated 10 March 1998 between Japan and ADB.

24. **Removing restrictions from ADB policies and trust funds.** Procurement eligibility restrictions can be removed from the Procurement Guidelines and Guidelines on the Use of Consultants by a decision of the Board of Directors. Contributors would need to be consulted before removing procurement eligibility restrictions from trust funds. However, the agreements relating to such funds have avoided any procurement restrictions apart from the implicit one relating to ADB operating policies. This option has the advantage that it offers a relatively simple procedure to allow universal procurement for operations financed by trust funds and other cofinancing sources. If individual development partners support universal procurement, they may wish to specify this as trust funds are replenished. The main disadvantage is that, like the previous option, it would lead to different eligibility rules for projects financed from different ADB sources.

25. **Waiving restrictions.** If an amendment of the Charter and/or the removal of restrictions from Special Funds rules and ADB policies is considered undesirable, partial liberalization through the continued use of case-by-case waivers or through the introduction of blanket waivers³⁸ may be considered under the following four scenarios: continued use of waivers on a case-by-case basis, blanket waivers for projects in specific countries, blanket waivers for blended projects, and blanket waivers for cofinancing operations.

- (i) **Continued use of waivers on a case-by-case basis.** Case-by-case waivers from procurement restrictions have been provided more frequently since 2003. This has enabled ADB to respond to specific cases of proposed cooperation with cofinanciers and to get around project-specific constraints, particularly in Central and West Asia, when ADB member country rules would otherwise have caused problems. However, the case-by-case approach is certainly suboptimal. ADB staff and Management can offer no assurances to cofinanciers or borrowers about procurement liberalization unless and until approval of the ADB Board of Directors is obtained, which results in delay and uncertainty. A waiver-based system makes advance procurement action and other forms of early project implementation less straightforward. Further, some members of the Board of Directors may wish to support a project while opposing a procurement waiver (either because they disapprove of procurement liberalization in principle or because they do not accept the justification in a particular case).
- (ii) **Blanket waivers for projects in specific countries.** The distorting effect of the ADB member country procurement restrictions is most pronounced in countries in Central and West Asia and relatively minor elsewhere (Appendixes 2–6). A substantial number of case-by-case waivers in recent years has related to projects in these countries (para. 8). A pilot scheme to test universal procurement (either for all ADB operations or for the ADF only) could be done either for one country (e.g., Afghanistan) or for one regional department (e.g., the Central and West Asia Department). ADB emergency and fragile states initiatives already contemplate the simplification of procurement processes for crisis-affected countries. Since it might be confusing to apply different procurement eligibility rules for different countries, this could be reduced by uniformity within a particular regional department.

³⁸ This approach assumes that a blanket waiver will be limited in scope and subject to review from time to time, so that it does not effectively constitute a permanent removal of restrictions. A permanent removal of restrictions would be subject to the approval requirements set out in paras. 21–24.

- (iii) **Blanket waivers for blended projects.** If universal procurement is introduced for ADF resources and not for OCR, then ensuring uniformity at the project level would be highly desirable. It would, for example, be very odd for an executing agency to be free to engage consultants from a nonmember country for a project component funded by the ADF but forbidden to do so for another component financed by OCR. For such cases, a blanket waiver for projects which receive a blend of OCR and ADF resources could be considered.
- (iv) **Blanket waivers for cofinancing operations.** Untied procurement is often particularly important for cofinancing. Where the funds of ADB and the cofinancier are comingled to jointly finance agreed items of expenditure, different procurement eligibility rules cannot be applied. Therefore, when a cofinancier commits to providing significant cofinancing for a specific project, the Board could approve (and has approved) a waiver of the procurement eligibility restrictions. Taking this one step further and to facilitate discussions on sector approaches and programmatic (as opposed to project-by-project) cofinancing, the Board could consider providing a blanket waiver if cofinanciers are willing to commit significant amounts of programmatic cofinancing. The blanket waiver could be expanded to include all projects with significant project-specific cofinancing.³⁹

26. **Contracting with nonmember country companies and individuals.** If procurement eligibility is extended to nonmember countries, DMC executing agencies would enter into contractual relationships under ADB-financed procurement with contractors and consultants of such countries. Similarly, where ADB enters into direct contractual relationships (typically for technical assistance grant-financed consulting assignments), ADB may contract with firms or individuals from countries with no connection to ADB.

27. DMC executing agencies may have pre-existing commercial relationships (under non-ADB-financed projects) with such nonmember countries. Although ADB would no longer be well placed to encourage a friendly resolution of disputes between a DMC and the contractor or consultant concerned, the DMC would still be able to rely upon its non-ADB contacts with the country concerned. However, for ADB, such transactions would raise the issue that nonmember countries have not conferred any privileges and immunities on ADB by virtue of ADB membership. ADB would not enjoy immunity from judicial proceedings, immunity from taxation, or other immunities in such countries. ADB would therefore need to take particular care in any contractual arrangements with firms or individuals from those countries.

VII. SUMMARY

28. ADB member country procurement eligibility restrictions are specified in the Charter, the rules and regulations applicable to ADB Special Funds, and ADB policies on procurement. From January 2003 to October 2011, the Board of Directors approved 30 waivers of these restrictions on a case-by-case basis.

29. ADB and the Inter-American Development Bank are the only multilateral development banks that continue to tie procurement to member countries for almost all procurement. The

³⁹ In this respect, introduction of the concept of a cofinancing threshold may be useful, which, if met, would mean that ADB would waive the country eligibility restrictions.

African Development Bank maintains charter-based member country restrictions for procurement financed from its ordinary capital resources, but in 2008 introduced universal procurement for its concessional financing. The other comparators, the World Bank and the European Bank for Reconstruction and Development, apply universal procurement.

30. While the need for country procurement eligibility waivers has been infrequent at ADB, at the level of principle, several factors support a more liberal approach to procurement from non-ADB-member countries. At the same time, the economic impact of any such liberalization on ADB member countries is unlikely to be substantial, with the possible exception of developing member countries that were part of the former Soviet Union.

31. Possible options to ease ADB's existing member country procurement eligibility restrictions range from complete removal of restrictions to partial liberalization through the continued use of case-by-case waivers or through the introduction of blanket waivers.

**WAIVERS OF ELIGIBILITY RESTRICTIONS
January 2003–October 2011**

No.	Loan, Grant No. [Source of Funds]	Project	Approval	Purpose	Nationalities of Winning Bidders	Nationalities of Unsuccessful Bidders
1	Inv 7186/ Loan 2033[OCR]	Regional Trade Finance Facilitation Program	2003	To finance obligations issued by DMC banks to cover goods and services procured from non-ADB- member countries that flow to or from such DMCs	Not applicable	Not applicable
2	TA 4391-INO [TASF-ATF-EU]	Support for Decentralized Education Management II	2003	To enable European Union cofinancing: \$5.54 million equivalent	Australia, Germany, Indonesia, United Kingdom, United States	Bangladesh
3	Loan 2105- AFG(SF) [ADF]	Regional Airports Rehabilitation Project, Phase 1	2004	To permit procurement of construction materials from non- ADB-member countries ^a	Afghanistan, Pakistan	Afghanistan, Turkey
4	Loan 2140- AFG(SF) [ADF]	Andkhoy–Qaisar Road Project	2004	To permit procurement of construction materials from non- ADB-member countries ^a	Australia, PRC, Republic of Korea	PRC, Japan, India, Republic of Korea, Spain, Turkey, United States, Uzbekistan,
5	Loan 2091- AFG(SF) [ADF]	Afghanistan Investment Guarantee Facility	2004	Guarantees for investments	United States	
6	Grant 0006/0011- SRI [ATF–EU]	Tsunami-Affected Areas Rebuilding Project	2005	To enable European Union contribution of €39.4 million and supplementary financing of €13million	Japan, Sri Lanka	
7	Grant 0012-AFG [ADF]	Qaisar–Bala Murghab Road Project	2005	To permit procurement of construction materials from non- ADB-member countries ^a	PRC, United States, United Nations	India, Republic of Korea, Sweden, Turkey
8	Loan 2213- PAK(SF) [ADF loan]	Earthquake Emergency Assistance Project	2005	To permit procurement of construction materials from non- ADB-member countries ^a	PRC, Pakistan	PRC, New Zealand Pakistan

No.	Loan, Grant No. [Source of Funds]	Project	Approval	Purpose	Nationalities of Winning Bidders	Nationalities of Unsuccessful Bidders
	Grant 0029-0037 PAK [PEF–ATF/EU]	Earthquake Emergency Assistance Project	2005	To enable EU European Union contribution of €30 million	Bangladesh, Germany, Indonesia, Pakistan, United Kingdom	
9	Loan 2257-AFG(SF) [ADF]	North–South Corridor Project	2006	To permit procurement of construction materials from non-ADB-member countries ^a	Japan, Republic of Korea	Afghanistan, Australia, Bangladesh, India
10	Grant 0041[ADF]	Prevention and Control of Avian Influenza in Asia and the Pacific	2006	To enable potential cofinancing from international organizations	Afghanistan, Belgium, Indonesia (ASEAN), Italy (FAO), Lao PDR, Mongolia, New Zealand, Philippines, Switzerland (WHO), Thailand, United States	
	RETA 6313 [TASF-JSF-CIDA]	Prevention and Control of Avian Influenza in Asia and the Pacific	2006	To enable potential cofinancing from international organizations	ASEAN, FAO, Netherlands, New Zealand, Philippines, Thailand, United Kingdom, United States, WHO	-
11	Grant 0081-AFG(SF) [ADF]	Road Network Development Project 1	2007	To permit procurement of construction materials from non-ADB-member countries ^a	Australia, PRC, Republic of Korea	Bangladesh, Canada, Finland, France, India
12	Loan 2351-ARM(SF) [ADF]	Rural Road Sector Project	2007	To permit procurement of construction materials from non-ADB-member countries ^a	Armenia, France	Armenia, Azerbaijan, Finland, Germany, Japan, United Kingdom
13	Grant 0078-SOL [ADF-EU]	Emergency Assistance Project	2007	To enable European Union cofinancing of \$4 million	Australia, Solomon Islands	

No.	Loan, Grant No. [Source of Funds]	Project	Approval	Purpose	Nationalities of Winning Bidders	Nationalities of Unsuccessful Bidders
14	Loan 2363-ARM(SF) [ADF]	Water Supply and Sanitation Sector Project	2007	To permit procurement of pipes, pumps, and fittings from non-ADB-member countries ^a	Armenia	Armenia, Germany
15	RETA 6424 [TASF]	Enhancing Effective Regulation of Water and Energy Infrastructure and Utility Services	2008	To access research or practical work in regulations from small island countries that are not member countries for adaptation in Pacific DMCs	New Zealand (two out of nine experts were from Jamaica) Canada, Malaysia, Singapore, United Kingdom, United States, Viet Nam	Australia, India, Philippines
16	Grant 0127-SOL [ADF-EU]	Domestic Maritime Support (Sector) Project	2008	To enable European Union cofinancing of \$5.25 million	Australia, Solomon Islands	
	TA 7178-SOL [TASF-EU]	Establishment of the Solomon Islands Maritime Safety Administration	2008	To enable European Union cofinancing of \$600,000	Australia	Australia, Canada
17	Grant 135-AFG [ADF]	Road Network Development Investment Program (Tranche 1)	2008	To permit procurement of construction materials from non-ADB-member countries ^a	PRC, Republic of Korea	Afghanistan, India, PRC, Republic of Korea, Turkey, Uzbekistan
18	TA 6455-REG [TASF]	Supporting the Third High-Level Forum on Aid Effectiveness and its Preparatory Consultation Process	2008	Expenditures in nonmember countries (meeting in Accra, Ghana)	Australia, Philippines, Singapore, United Kingdom	
19	Grant 0161-AFG (ADF)	Hairatan to Mazar-e-Sharif Railway Project	2009	To permit procurement of track components (construction and maintenance) from nonmember countries	Australia, Kyrgyz Republic, United States, Uzbekistan	PRC, Republic of Korea, Spain
20	Grant 0175/0176/0177-SOL [ADF-EU-Others]	Second Road Improvement (Sector) Project	2009	To enable European Union cofinancing of \$3.34 million	Japan, Solomon Islands, United States	Australia, Republic of Korea

No.	Loan, Grant No. [Source of Funds]	Project	Approval	Purpose	Nationalities of Winning Bidders	Nationalities of Unsuccessful Bidders
21	Not applicable	Not applicable	2010	To enable ADB contributions to UNICEF projects	Not applicable	Not applicable
22	TA 7554-INO [EU-Other]	Education Sector Analytical and Capacity Development Partnerships	2010	To enable European Union cofinancing of \$27 million	Canada, Indonesia, United Kingdom, United States	Bangladesh, Germany
23	MFF 0043/Loan 2655-GEO(SF) [OCR-ADF]	Sustainable Urban Transport Investment Program	2010	To permit procurement of metro rail and related equipment from non-ADB-member countries, given that the existing metro network was constructed according to Soviet standards	Georgia	Georgia
24	Loan 2667 KGZ(SF) [ADF]	CAREC Regional Road Corridor Improvement Project (Supplementary Financing)	2010	To permit procurement of road construction materials and petroleum products from non-ADB-member countries	Kyrgyz Republic, PRC	PRC
25	MFF-0048/Loan 2686-KAZ [OCR]	Small and Medium Enterprise (SME) Development Project	2010	To permit procurement from non-ADB-member countries, particularly the Russian Federation	Pending	
26	Loan 2701-BAN [OCR-ADF]	Padma Multipurpose Bridge Project	2010	To permit procurement from non-ADB-member countries (because of expected "single responsibility" bid package cofinanced with the World Bank)	Pending	
27	Loan 2718-KIR [ADF]	Road Rehabilitation Project	2010	To permit procurement from non-ADB-member countries (because of expected 'single responsibility' bid packages cofinanced with the World Bank)	Pending	

No.	Loan, Grant No. [Source of Funds]	Project	Approval	Purpose	Nationalities of Winning Bidders	Nationalities of Unsuccessful Bidders
28	Grant 0256-TON [ADF]	Tonga-Fiji Submarine Cable Project	2011	To permit procurement from non-ADB-member countries (because of expected 'single responsibility' bid package cofinanced with the World Bank)	Pending	
29	RETA/Proj. no. 45310-001 [TASF]	Enhancing Knowledge Sharing and South-South Cooperation between Asia and Latin America	2011	Expenditures in nonmember countries (missions and workshops to and from Latin America and the Caribbean)	Pending	
30	MFF-0056/Loan 2752-ARM [OCR-ADF]	Armenia Sustainable Urban Development Investment Program	2011	To permit procurement of metro rail and related equipment from non-ADB-member countries to ensure continuity and passenger safety, given that the existing metro network was constructed according to Soviet standards	Pending	-

ADB = Asian Development Bank; ADF = Asian Development Fund; AFD = Agence Française de Développement; AFG = Afghanistan; ARM = Armenia; ASEAN = Association of Southeast Asian Nations; ATF = Asian Tsunami Fund; BAN = Bangladesh; CAREC = Central Asia Regional Economic Cooperation; CIDA = Canadian International Development Agency; PRC = People's Republic of China; DMC = developing member country; EIB = European Investment Bank; EU = European Union; FAO = Food and Agriculture Organization; GEO = Georgia; JSF = Japan Special Fund; KfW = Kreditanstalt für Wiederaufbau; KAZ = Kazakhstan; KGZ = Kyrgyz Republic; KIR = Kiribati; MFF = multitranches financing facility; OCR = ordinary capital resources; PAK = Pakistan; Lao PDR = Lao People's Democratic Republic; PEF = Pakistan Earthquake Fund; PHI = Philippines; RETA = Regional Technical Assistance; SF = Special Funds; SOL = Solomon Islands; SRI = Sri Lanka; TA = Technical Assistance; TASF = Technical Assistance Special Fund; THA = Thailand; TON = Tonga; UNICEF = United Nations Children's Emergency Fund; VIE = Viet Nam; WHO = World Health Organization.

^a Although the winning bidders are from member countries, it is likely that bitumen or other materials may have been sourced from nonmember countries.

Source: ADB Loan Financial Information System, ADB Technical Assistance Information System, Project Information Document, ADB Board documents, e-Operations.

**PROCUREMENT UNDER PROJECTS FINANCED BY THE INTERNATIONAL DEVELOPMENT
ASSOCIATION AND INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
January 2004–August 2011**

Region	Country	Procurement Under IDA/IBRD Financed Projects				Total
		ADB Member Countries	Percent to Total	Non-ADB Member Countries	Percent to Total	
Central and West Asia	Afghanistan	1,696,891,831.44	96.75%	57,056,301.25	3.25%	1,753,948,132.69
	Armenia	269,318,050.17	96.10%	10,915,790.87	3.90%	280,233,841.04
	Azerbaijan	1,347,242,192.45	93.15%	99,009,484.47	6.85%	1,446,251,676.92
	Georgia	576,853,252.62	84.28%	107,626,643.53	15.72%	684,479,896.15
	Kazakhstan	1,840,138,434.10	91.96%	160,786,856.26	8.04%	2,000,925,290.36
	Kyrgyz Republic	198,047,163.16	89.71%	22,723,048.47	10.29%	220,770,211.63
	Pakistan	1,134,385,288.69	98.40%	18,442,405.29	1.60%	1,152,827,693.98
	Tajikistan	149,496,778.11	82.04%	32,722,473.63	17.96%	182,219,251.74
	Turkmenistan	571,412.67	89.17%	69,400.00	10.83%	640,812.67
Uzbekistan	288,478,240.83	87.94%	39,553,313.33	12.06%	328,031,554.16	
East Asia	China	10,878,229,959.03	99.83%	18,574,723.48	0.17%	10,896,804,682.51
	Mongolia	119,372,510.14	98.07%	2,355,027.05	1.93%	121,727,537.19
South Asia	Bangladesh	561,470,203.77	99.77%	1,266,541.39	0.23%	562,736,745.16
	Bhutan	47,975,605.70	100%	-	-	47,975,605.70
	India	8,033,009,797.34	100%	33,771,625.94	0.42%	8,066,781,423.28
	Maldives	22,066,111.55	100%	-	-	22,066,111.55
	Nepal	340,832,929.31	100%	-	-	340,832,929.31
	Sri Lanka	302,626,743.14	99.82%	537,432.79	0.18%	303,164,175.93
Southeast Asia	Cambodia	181,512,240.67	98.17%	3,385,321.27	1.83%	184,897,561.94
	Indonesia	1,498,980,994.54	99.94%	918,951.43	0.06%	1,499,899,945.97
	Lao PDR	117,899,425.36	99.46%	641,960.98	0.54%	118,541,386.34
	Philippines	446,811,225.97	99.57%	1,944,000.00	0.43%	448,755,225.97
	Thailand	72,090,963.16	100%	-	-	72,090,963.16
	VietNam	2,936,251,287.55	99.71%	8,431,924.11	0.29%	2,944,683,211.66
Pacific	Fiji	120,000.00	100.00%	-	-	120,000.00
	Kiribati	3,478,536.22	99.34%	22,999.87	0.66%	3,501,536.09
	Papua New Guinea	143,078,225.33	100%	-	-	143,078,225.33
	Samoa	49,962,395.66	100%	-	-	49,962,395.66
	Solomon Islands	14,665,899.40	100%	-	-	14,665,899.40
	Timor-Leste	91,177,273.97	96.63%	3,176,866.64	3.37%	94,354,140.61
	Tonga	19,622,286.58	99.22%	154,315.00	0.78%	19,776,601.58
	Vanuatu	2,027,770.71	100%	-	-	2,027,770.71

ADB= Asian Development Bank, IBRD = International Bank for Reconstruction and Development, IDA = International Development Association, Lao PDR = Lao People's Democratic Republic

Source: World Bank.

IMPORTS BY ADB REGION: 2004–2010 (AVERAGE PER YEAR)

Region	Country	Imports, CIF (US\$Million)					Sub-regional Average of imports from non-ADB Member countries
		ADB Member Countries	Percent to Total	Non-ADB Member Countries	Percent to Total	Total	
Central & West Asia	Afghanistan	4,461.53	91.57	410.51	8.43	4,872.04	38.76
	Armenia	1,563.79	53.92	1,336.51	46.08	2,900.30	
	Azerbaijan	3,906.50	65.73	2,037.06	34.27	5,943.56	
	Georgia	2,635.65	62.71	1,567.47	37.29	4,203.12	
	Kazakhstan	16,332.74	54.87	13,433.37	45.13	29,766.11	
	Kyrgyz Republic	2,616.88	71.22	1,057.33	28.78	3,674.21	
	Pakistan	20,317.89	61.59	12,669.37	38.41	32,987.26	
	Tajikistan	1,302.63	54.99	1,066.34	45.01	2,368.97	
	Turkmenistan	2,423.78	58.23	1,738.95	41.77	4,162.73	
Uzbekistan	3,964.54	62.63	2,365.92	37.37	6,330.46		
East Asia	China, People's Rep. of	589,941.41	78.03	166,145.46	21.97	756,086.87	17.49
	Hong Kong, China	314,712.14	96.83	10,286.41	3.17	324,998.55	
	Korea, Rep. of	238,728.45	73.71	85,130.57	26.29	323,859.02	
	Mongolia	1,302.83	60.94	835.05	39.06	2,137.88	
	Taipei, China	139,562.32	93.42	9,836.53	6.58	149,398.85	
South Asia	Bangladesh	14,301.17	81.81	3,178.92	18.19	17,480.09	34.99
	Bhutan	167.79	99.47	0.90	0.53	168.69	
	India	127,515.22	62.07	77,914.76	37.93	205,429.98	
	Maldives	793.24	78.94	211.59	21.06	1,004.83	
	Nepal	2,504.93	93.79	165.73	6.21	2,670.66	
	Sri Lanka	9,264.75	84.49	1,700.52	15.51	10,965.27	
Southeast Asia	Brunei Darussalam	2,204.44	99.11	19.77	0.89	2,224.21	12.62
	Cambodia	4,187.89	98.92	45.88	1.08	4,233.77	
	Indonesia	72,483.29	86.51	11,298.51	13.49	83,781.80	
	Lao PDR	2,142.39	98.83	25.37	1.17	2,167.76	
	Malaysia	120,671.55	92.58	9,675.34	7.42	130,346.89	
	Myanmar	5,556.27	97.75	128.15	2.25	5,684.42	
	Philippines	44,204.25	87.67	6,219.18	12.33	50,423.43	
	Singapore	201,114.83	85.69	33,576.78	14.31	234,691.61	
	Thailand	107,561.38	81.82	23,898.29	18.18	131,459.67	
Viet Nam	50,955.27	93.80	3,367.40	6.20	54,322.67		
Pacific	Cook Islands	161.08	100.00	-	-	161.08	1.81
	Fiji Islands	1,470.57	98.35	24.70	1.65	1,495.27	
	Kiribati	DATA FOR THIS COUNTRY ARE NOT AVAILABLE					
	Marshall Islands	52.31	100.00	-	-	52.31	
	Fed. States of Micronesia	129.77	99.08	1.20	0.92	130.97	
	Nauru	DATA FOR THIS COUNTRY ARE NOT AVAILABLE					
	Palau	18.75	99.84	0.03	0.16	18.78	
	Papua New Guinea	2,913.79	98.99	29.77	1.01	2,943.56	
	Samoa	373.63	96.40	13.96	3.60	387.59	
	Solomon Islands	253.52	98.76	3.19	1.24	256.71	
	Timor-Leste	159.56	100.00	-	-	159.56	
	Tonga	147.14	97.15	4.31	2.85	151.45	
	Tuvalu	DATA FOR THIS COUNTRY ARE NOT AVAILABLE					
Vanuatu	304.82	90.14	33.36	9.86	338.18		

Source: SDBS (Direction of Trade CD-Rom, International Monetary Fund, August 2011)

**IMPORTS BY THE LEADING BORROWER IN EACH ADB REGION FROM ADB MEMBER COUNTRIES AND
NON-ADB MEMBER COUNTRIES, 2008**

Region	Top DMC Borrower	Imports, CIF (US\$Million)							
		Top 5 ADB Member Countries	Amount	Percent to Total	Top 5 Non-ADB Member Countries	Amount	Percent to Total		
Central & West Asia	Pakistan	China, People's Rep. of	6,590.55	14.92	Saudi Arabia	5,620.70	12.73		
		United States	2,192.41	4.96	United Arab Emirates	5,223.09	11.82		
		India	1,957.20	4.43	Kuwait	2,519.48	5.70		
		Malaysia	1,905.57	4.31	Iran	723.52	1.64		
		Japan	1,599.04	3.62	Russian Federation	505.69	1.14		
		Total imports: 44,170.16							
East Asia	China, People's Rep. of	Japan	150,808.00	16.17	Saudi Arabia	31,071.80	3.33		
		Korea, Rep. of	112,175.00	12.03	Brazil	29,632.20	3.18		
		United States	81,722.60	8.76	Russian Federation	23,783.60	2.55		
		Germany	55,911.10	5.99	Angola	22,370.10	2.40		
		Australia	36,283.80	3.89	Iran	19,581.30	2.10		
		Total imports: 932,812.11							
South Asia	India	China, People's Rep. of	30,276.00	10.97	Saudi Arabia	19,470.00	7.05		
		United States	18,888.50	6.84	United Arab Emirates	18,821.20	6.82		
		Germany	11,238.10	4.07	Iran	11,829.10	4.29		
		Switzerland	11,043.50	4.00	Kuwait	8,966.88	3.25		
		Australia	8,276.62	3.00	Nigeria	8,425.96	3.05		
		Total imports: 275,988.40							
Southeast Asia	Indonesia	Singapore	21,790.10	17.25	Saudi Arabia	4,804.98	3.80		
		China, People's Rep. of	15,249.20	12.07	Kuwait	1,857.06	1.47		
		Japan	15,129.20	11.98	Brazil	1,375.66	1.09		
		Malaysia	8,923.15	7.06	Russian Federation	1,325.15	1.05		
		United States	7,897.98	6.25	Ukraine	924.28	0.73		
		Total imports: 126,323.29							
Pacific	Papua New Guinea	Australia	1,469.00	43.35	South Africa	5.84	0.17		
		Singapore	538.76	15.90	Korea, Democratic Rep. of	5.80	0.17		
		China, People's Rep. of	378.14	11.16	Czech Republic	4.03	0.12		
		Japan	198.82	5.87	Brazil	3.82	0.11		
		Malaysia	149.03	4.40	Malawi	2.51	0.07		
		Total imports: 3,389.01							

ADB = Asian Development Bank, CIF = cost, insurance, and freight, DMC = Developing Member Country
Source: SDBS (Direction of Trade CD-Rom, International Monetary Fund, August 2011).

**IMPORTS BY THE LEADING BORROWER IN EACH ADB REGION FROM ADB MEMBER COUNTRIES AND
NON-ADB MEMBER COUNTRIES, 2009**

Region	Top DMC Borrower	Imports, CIF (US\$Million)							
		Top 5 ADB Member Countries	Amount	Percent to Total	Top 5 Non-ADB Member Countries	Amount	Percent to Total		
Central & West Asia	Pakistan	China, People's Rep. of	3,774.17	12.05	Saudi Arabia	3,488.41	11.14		
		United States	1,800.59	5.75	United Arab Emirates	3,454.14	11.03		
		Malaysia	1,605.65	5.13	Kuwait	1,798.24	5.74		
		Japan	1,284.12	4.10	Iran	956.01	3.05		
		Germany	1,267.79	4.05	Russian Federation	323.02	1.03		
		Total imports: 31,311.17							
East Asia	China, People's Rep. of	Japan	130,928.00	15.77	Brazil	28,311.20	3.41		
		Korea, Rep. of	102,501.00	12.34	Saudi Arabia	23,582.40	2.84		
		United States	77,772.50	9.37	Russian Federation	21,102.60	2.54		
		Germany	55,916.10	6.73	Angola	14,660.60	1.77		
		Australia	39,241.40	4.73	Iran	13,222.70	1.59		
		Total imports: 830,400.43							
South Asia	India	China, People's Rep. of	28,839.60	11.41	United Arab Emirates	15,417.90	6.10		
		United States	16,643.60	6.59	Saudi Arabia	14,602.80	5.78		
		Australia	10,743.80	4.25	Iran	10,574.00	4.18		
		Germany	10,721.60	4.24	Kuwait	7,534.97	2.98		
		Switzerland	10,222.30	4.04	Iraq	5,841.25	2.31		
		Total imports: 252,750.07							
Southeast Asia	Indonesia	Singapore	15,550.40	16.50	Saudi Arabia	3,135.81	3.33		
		China, People's Rep. of	14,002.20	14.85	Kuwait	1,442.25	1.53		
		Japan	9,843.73	10.44	Brazil	1,086.96	1.15		
		United States	7,094.37	7.53	Sudan	667.74	0.71		
		Malaysia	5,688.43	6.03	Argentina	664.06	0.70		
		Total imports: 94,259.37							
Pacific	Papua New Guinea	Australia	1,620.58	43.06	South Africa	10.23	0.27		
		China, People's Rep. of	571.69	15.19	Korea, Democratic Rep. of	5.07	0.13		
		Singapore	359.30	9.55	Brazil	4.76	0.13		
		United States	239.58	6.37	Israel	2.20	0.06		
		Japan	173.09	4.60	Malawi	2.20	0.06		
		Total imports: 3,763.39							

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Source: SDBS (Direction of Trade CD-Rom, International Monetary Fund, August 2011).

**IMPORTS BY THE LEADING BORROWER IN EACH ADB REGION FROM ADB MEMBER COUNTRIES AND
NON-ADB MEMBER COUNTRIES, 2010**

Region	Top DMC Borrower	Imports, CIF (US\$Million)							
		Top 5 ADB Member Countries	Amount	Percent to Total	Top 5 Non-ADB Member Countries	Amount	Percent to Total		
Central & West Asia	Uzbekistan	Korea, Republic of	1,606.25	17.33	Russian Federation	2,366.59	25.53		
		China, People's Republic of	1,295.90	13.98	Ukraine	391.53	4.22		
		Germany	771.77	8.33	Belarus	104.56	1.13		
		Kazakhstan	493.19	5.32	Poland	70.29	0.76		
		Turkey	311.27	3.36	Czech Republic	47.34	0.51		
		Total imports: 9,268.42							
East Asia	China, People's Rep. of	Japan	176,304.00	15.34	Brazil	38,038.10	3.31		
		Korea, Republic of	138,024.00	12.01	Saudi Arabia	32,862.00	2.86		
		United States	101,959.00	8.87	Russian Federation	25,810.80	2.25		
		Germany	74,378.40	6.47	Angola	22,809.90	1.98		
		Australia	59,698.10	5.19	Iran	18,235.70	1.59		
		Total imports: 1,149,574.03							
South Asia	India	China, People's Rep. of	44,012.20	12.60	United Arab Emirates	23,332.40	6.68		
		United States	20,394.20	5.84	Saudi Arabia	20,806.80	5.96		
		Australia	15,943.00	4.56	Iran	14,190.60	4.06		
		Singapore	13,304.80	3.81	Kuwait	10,143.30	2.90		
		Germany	12,354.30	3.54	Nigeria	8,823.07	2.53		
		Total imports: 349,256.49							
Southeast Asia	Vietnam	China, People's Rep. of	25,433.30	28.32	Russian Federation	1,796.67	2.00		
		Japan	8,995.92	10.02	Argentina	745.87	0.83		
		Korea, Rep. of	8,860.03	9.87	Brazil	509.65	0.57		
		Singapore	8,125.89	9.05	Saudi Arabia	461.12	0.51		
		Thailand	6,430.20	7.16	Chile	221.55	0.25		
		Total imports: 89,793.68							
Pacific	Papua New Guinea	Australia	2,067.87	43.77	South Africa	13.00	0.28		
		Singapore	645.57	13.67	Korea, Democratic Rep. of	6.44	0.14		
		China, People's Rep. of	387.93	8.21	Brazil	5.20	0.11		
		Japan	324.19	6.86	Malawi	2.79	0.06		
		United States	210.87	4.46	Israel	2.57	0.05		
		Total imports: 4,724.04							

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