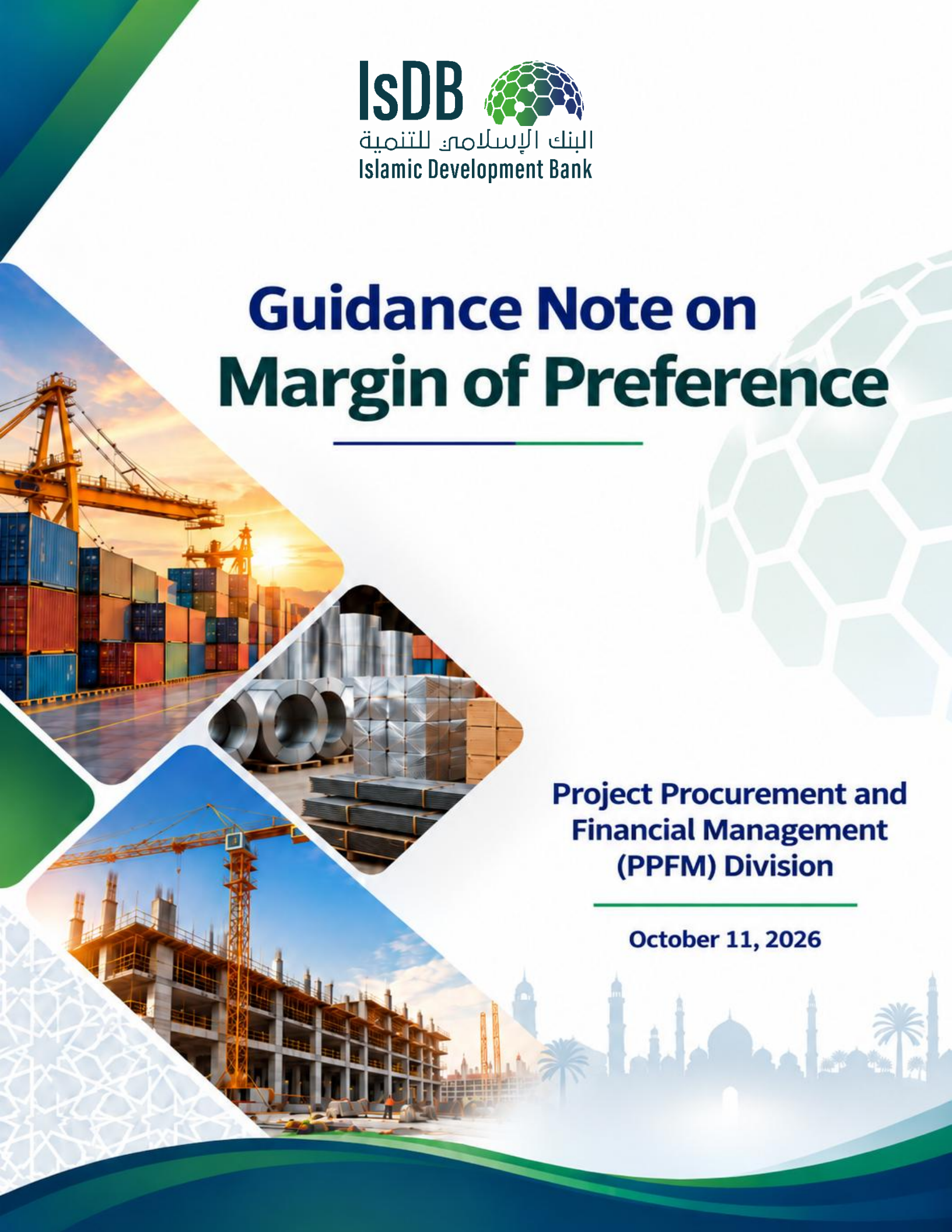


Guidance Note on Margin of Preference

**Project Procurement and
Financial Management
(PPFM) Division**

October 11, 2026



This Guidance Note on Margin of Preference is intended to complement the Guidelines for Procurement of Goods and Works and related services under Islamic Development Bank Financing, approved by the Board of Executive Directors (BED) of the Islamic Development Bank, and published on September 2018 *and updated in February 2023*. This document may be used and reproduced for non-commercial purposes. Any commercial use, including without limitation reselling, charging to access, redistribute, or for derivative Works such as unofficial translations based on these documents is not allowed. For additional information on this document, please contact:

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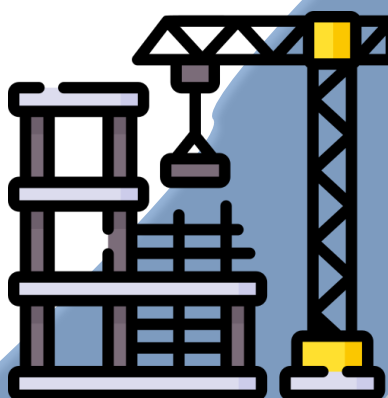
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Contents

Acronyms & Definitions	3
1. Executive Summary	4
2. Purpose	6
3. Rationale for using Margin of Preference	7
4. Requirements	8
4.1 Margin of preference for Goods	8
4.2 Margin of preference for Works	9
5. Understanding the Impact of the Application of the Margin of Preference	10
6. Market Assessment	10
7. Ensuring Standards Compliance	11
8. Balancing Margin of Preference and Competition	11
9. Monitoring and Evaluation	12
Annex 1 - Case Study 1— Procurement of Goods & Case Study 2 — Procurement of Works	13



Acronyms & Definitions

Abbreviation/ Term	Full terminology/definition
Bank	Islamic Development Bank
Beneficiary	The recipient of IsDB Project Financing. This term includes any entity involved in the implementation of an IsDB-financed project on behalf of the Beneficiary.
Bid	An offer submitted by a Bidder or joint venture, in response to RFB, to provide the required Goods and/or Works and/or Non-Consultancy Services
Bidder	A Firm or joint venture that submits a Bid for the provision of Goods and/or Works and/or Non-Consultancy Services.
CIP	Carriage and Insurance Paid
EXW	Ex Works
FA	Financing Agreement
Fraud and Corruption	The sanctionable practices of corruption, fraud, collusion, coercion and obstruction defined in <i>IsDB's Guidelines on Combating Fraud and Corruption</i> and in <i>IsDB Group Anti-Corruption Guidelines on Preventing and Combating Fraud and Corruption in IsDB Group- Financed Projects</i>
Goods	A category of Procurement that includes: for example consumables, equipment, machinery, vehicles, commodities, raw material or industrial Plant. The term may also include related services, such as: transportation, insurance, installation, commissioning, training, and initial maintenance.
ICB	International Competitive Bidding
IsDB	Islamic Development Bank
KPI	Key Performance Indicator
MC	Member Country
NCB	National Competitive Bidding
PP	Procurement Plan
PPFM	Project Procurement & Financial Management
Proposal	An offer, by a Proposer, in response to a Request for Proposal to provide required Consultancy Services
PS	Procurement Strategy
RFB	Request for Bids
RFP	Request for Proposals
Supplier	A Firm or Individual Consultant that is contracted to provide Goods, Works, or Related Services
TOR	Terms of Reference
VfM	Value for Money

1. Executive Summary

- 1.1 The Guidance Note on Margin of Preference outlines the procedures for applying a margin of preference to goods and works contracts under projects financed by the Islamic Development Bank. These provisions aim to support local industries while ensuring fair competition and quality standards, while applying a margin of preference for Goods manufactured in the member countries (MCs) and Bids/Proposals from local (domestic) for Works.
- 1.2 The purpose of this Guidance Note is to complement the IsDB's procurement guidelines, detailing evaluation procedures for the application of a margin of preference in international competitive bidding (ICB) for goods and works. As per the provision of Bank's procurement guidelines, it provides a margin of preference, up to 15%, which may be granted for goods manufactured in MCs, provided they meet specific criteria, including a 30% domestic contents. In case of Works-related opportunities, a margin of preference of up to 10% may be applied to bids from local contractors under ICB, excluding joint ventures between MC and non-MC firms.
- 1.3 In the evaluation process for Goods, bids are classified into three groups, based on the country of origin of goods offered in each bid and evaluated in stages to determine the best value for money, with adjustments for the preference margin. While evaluation process for Works is categorized into two groups and compared in steps to identify the best value for money, with a preference margin applied, if necessary.
- 1.4 Before proposing preferential treatment as part of any business opportunity, market assessment and compliance criteria shall be established through undertaking appropriate due diligence. It also requires ensuring that the application of a margin of preference does not negatively impact competition, and local suppliers must meet relevant technical, environmental, and labor standards before qualifying for preferential treatment. In order to ensure effective use of the preferential treatment, regular monitoring and evaluation is required for proper application and making improvements needed for effectiveness.
- 1.5 While providing margin of preference, the likely social and economic impacts should also be considered. For instance, on the one hand, giving margin of preference may support the development of the local private sector and provide a higher probability of a local bidder winning procurement contracts. However, on the other hand, a poorly designed margin of preference arrangement may result in lower quality goods, works, or services provided by the eligible contractor, supplier or consultant. Alternately, when price preference is applied and affects the selection of the winning bidder, the beneficiary will pay more for the same or similar goods, works or services.
- 1.6 General Criteria for margin of preference are as follows:

- 1.6.1 Eligibility: A margin of preference may be applied to the evaluation of bids for goods and works in line with relevant provisions of procurement guidelines, where the financing agreements allow for it and Bidding Documents.
 - 1.6.2 Procurement Method: The application of a margin of preference is usually allowed in international competitive bidding (ICB) procedures. It is not typically applicable to other procurement methods, such as national competitive bidding (NCB), shopping, or direct contracting, where bidders/proposers from other MCs may participate, in addition to domestic bidders of the Beneficiary's country.
 - 1.6.3 Bid Evaluation: Bidders requesting a margin of preference must meet specific conditions and provide necessary documentation to support their claims. A margin of preference is applied during the bid evaluation process, meaning the evaluated prices of domestic bids and bids from other member countries (MCs) may be adjusted to reflect the margin of preference before comparing them to international bids.
- 1.7 Criteria for Goods Contracts
- 1.7.1 Manufacturing: Goods must be manufactured in the recipient MC of IsDB financing. The domestic content of the goods must constitute at least 30% of the ex-works price of the goods offered.
 - 1.7.2 Documentation: Bidders must provide evidence of the manufacturing location and the percentage of domestic content etc.
- 1.8 Criteria for Works Contracts
- 1.8.1 Local Content: At least 50% of the cost of the works must be attributable to local labor, materials or other inputs.
 - 1.8.2 Ownership and Control: The contractor should be legally registered and incorporated in the recipient MC of Bank's financing. Majority ownership (more than 50%) and control of the contractor must be by the nationals of the MC.
- 1.9 Specific Provisions and Procedures
- 1.9.1 Bid Submission and Evaluation: Bidders must clearly indicate in their bid submission that they are requesting margin of preference and provide the necessary supporting documents. The evaluation committee applies a margin of preference based on criteria defined in bidding documents during the financial evaluation stage. Typically, a margin of up to 15% is applied for goods and 7.5% for works contracts.
 - 1.9.2 Notification and Contract Award: If a domestic bidder's evaluated bid price, after applying the margin of preference, is lower or as per with the lowest evaluated price among all bids submitted by foreign bidders, the contract shall be awarded to the domestic bidder. The application of a margin of preference

should be clearly outlined in the bidding documents and communicated to all potential bidders during the procurement process.

- 1.9.3 Monitoring and Compliance: The IsDB and the executing agency of the MC will monitor the implementation of the margin of preference policy. Compliance with the criteria and proper documentation is essential to ensure the integrity and transparency of the procurement process.

2. Purpose

- 2.1 This guidance note sets out the evaluation procedures to be used when applying a margin of preference to: (i) Goods manufactured in member countries (MCs), compared to the Goods manufactured in non-MCs; and (ii) Bids/Proposals from local (domestic) Bidders/Proposer for Works compared to the bids/Proposals offered by foreign bidders/Proposers, offered through International Competitive Bidding (ICB) procedure. It does not apply to the National Competitive Bidding (NCB¹) procedure. The use of margin of preference is proposed in the Procurement Strategy documents, Procurement Arrangements and Procurement Plan and set forth in the request for bids/request for proposals documents and is subject to the agreement of the IsDB.
- 2.2 With the consent of IsDB, under ICB, a margin of preference may be granted in the evaluation of bids/proposals offering Goods manufactured in the MCs, when compared to Bids/Proposals offering Goods manufactured in non-MCs. In such cases, the request for bids/request for proposals document shall clearly indicate any preference to be granted to domestically manufactured or manufactured in IsDB Member Countries (MCs) Goods and the information required to establish the eligibility of a Bid/Proposal for such preference. The nationality of the manufacturer or Bidder shall not be a condition for such eligibility.
- 2.3 The margin of preference shall be stated in the RFP or RFB, with IsDB No-Objection. In the case of Goods, no Goods shall be eligible for this preference except those Goods manufactured in an MC, for which labor, raw materials, and components from within an MC account for more than thirty (30) percent of the EXW bid price and which comply substantially with the required specifications and standards. Such preference shall not exceed 15% (fifteen percent) added to the Carriage and Insurance Paid (CIP) price of the Goods manufactured in non-MCs (which is exclusion of customs duties, taxes, and other charges).
- 2.4 Under ICB, in the case of civil Works, a margin of preference may be provided to eligible local (domestic) Contractors. It shall be a percentage to be agreed between the IsDB and the Beneficiary and shall not exceed 10% (ten percent) added to the bid price offered by the foreign firms. In the case of JVs or any other form of association between

¹ In case of National Competitive Bidding (NCB), association of domestic Firms with a nondomestic Firm is accepted, whereby the domestic Firm is expected to perform at least 50% of the contract.

MC Firms² and non-MC Firms (excluding subcontracting arrangements), the above margins of preference shall not be applied. A margin preference shall not be applied to the procurement of Plant Design, Supply and Installation.

- 2.5 Applying margin of preference requires a balanced approach to encouragement/support Local/MCs industries while ensuring fair competition and adherence to quality standards. A thorough market assessment and continuous monitoring are vital to achieving the desired outcomes without compromising on quality or competitiveness. This approach will help foster sustainable development, promote Local/MCs industries, and maintain high standards in procurement procedures.

3. Rationale for using Margin of Preference.

- 3.1 The use of margin of preferences supports the local construction firms and manufacturing industries, especially in lower-income countries as these local/MCs firms often do not have the required competency to compete effectively with foreign firms, given that there may be an asymmetry of information between local and foreign firms. Foreign firms may have better access to technology, finance, and infrastructure to increase productivity and lower production costs. Among other things, foreign firms may benefit from economies of scale. Thus, local firms in lower-income countries may need preference to be able to compete with foreign firms in terms of price and/or other protective measures.
- 3.2 Awarding contracts to local firms is deemed to give greater social and economic benefit to local communities, in the form of increased employment, industrial development, incomes, and tax revenues, compared to contracts awarded to foreign firms that produce, employ staff, and pay offshore taxes. By granting a margin of preference, a government can assist local business to increase their competitiveness and to become more efficient suppliers to the public sector and the economic and social benefits accrued by awarding a contract to a local firm may outweigh the potential for higher financial costs to the executing agency, compared to awarding the contract to a foreign firm.

² As per the IsDB Guidelines, a MC Firm shall comply with all of the following: a) it is established or incorporated in an IsDB MC; b) its principal place of business is located in an IsDB MC; and c) it is more than fifty percent (50%) beneficially owned by a Firm or Firms in one or more MC (which Firm or Firms must also qualify as to nationality) and/or citizens of such MC.

A domestic Firm of a MC is defined as follows: a) it is established or incorporated in the MC where the Works are to be carried out and/or where the Goods are to be delivered; b) its principal place of business is located in the Beneficiary MC; and c) it is more than fifty percent (50%) beneficially owned by a Firm or Firms in the Beneficiary MC (which Firm or Firms must also qualify as to nationality) and/or citizens of such MC”.

4. Requirements

A margin of preference may be applied to the procurement of goods and works

4.1 Margin of preference for Goods

- 4.1.1 Under ICB, If the Bidding Data Sheet specifies so well and with the agreement of IsDB, the Beneficiary may grant a margin of preference in the evaluation of Bids/Proposals offering Goods manufactured in the MCs when compared to Bids offering such Goods manufactured in the non-MCs. Such preference shall not exceed 15% (fifteen percent) added to the Carriage and Insurance Paid (CIP) price of the bid offering Goods manufactured in non-MCs (which is exclusion of customs duties, taxes, and other charges). In such cases, the RFB Bidding Documents shall clearly indicate the preference to be granted to the Goods manufactured in an MC and the information required to establish the eligibility of a Bid for such preference. Unlike in the procurement of Works, in the procurement of Goods, the nationality of the manufacturer or Bidder shall not be a condition for such eligibility; rather, the determining factors for determining eligibility are the country of manufacturing of the Goods and the percentage of domestic content in the total value of the Goods. The methods and stages set forth hereunder shall be followed in the evaluation and comparison of Bids/Proposals.
- 4.1.2 For comparison, responsive Bids/Proposals shall be classified into one of the following three groups:
- a) Group A: Bids/Proposals exclusively offering Goods manufactured in a MC, if the Bidder/Proposer establishes to the satisfaction of the Beneficiary and IsDB that:
 - i. labor, raw materials and components, including transportation and insurance, from an MC will account for 30% (thirty percent) or more of the EXW price of the Goods offered; and
 - ii. the production facility in which those Goods will be manufactured or assembled has been engaged in the manufacture/assembly of such Goods at least since the time of the Bid/Proposal submission.
 - b) Group B: All other Bids/Proposals offering Goods manufactured in a MC; or
 - c) Group C: Bids/Proposals offering Goods manufactured in non-MC that have already been imported at the time of the submission of the bid or that will be directly imported, should the bid be awarded the contract.

- 4.1.3 The price quoted for Goods in the Bids of Groups A and B shall include all duties and taxes paid or payable on the basic materials or components purchased in an MC market or imported but shall exclude the sales and similar taxes on the finished product. The price quoted for Goods in Bids of Group C shall be on the basis of Incoterm CIP, which is exclusive of customs duties and other import taxes already paid or to be paid.
- 4.1.4 In the first step, all evaluated Bids in each group shall be compared to determine the Bid that offers most VfM in each group. Such Bids shall be compared with each other, and if, as a result of this comparison, a Bid from Group A or Group B offers the most VfM, it shall be selected for the contract award.
- 4.1.5 If, as a result of the comparison under Paragraph 4.1.4. of this guidance note, the Bid that offers most VfM is from Group C, all Bids from Group C shall be further compared with the Bid that offers the most VfM from Group A after adding to the evaluated price of Goods offered in each Bid from Group C, for the purpose of this further comparison only, an amount equal to fifteen (15) per cent of the respective CIP Bid price for the Goods to be imported or already imported. Both prices shall include unconditional discounts and be corrected for arithmetical errors. If the Bid from Group A offers the most VfM, it shall be selected for the contract award. If not, the Bid offering the most VfM from Group C shall be selected for award of contract, as per Paragraph 4.1.4. of this guidance note.

4.2 Margin of preference for Works

- 4.2.1 Under ICB, If the Bidding Data Sheet so specifies and with the agreement of IsDB, in the evaluation of Bids/Proposals, the Beneficiary may grant a margin of preference to domestic Bidders/Proposers when comparing Bids/Proposals from foreign Bidders/Proposers. It shall be a percentage to be agreed between the IsDB and the Beneficiary and shall not exceed 10% (ten percent) added to the price offered by the foreign bidders. In such cases, the request for bids/request for proposals shall clearly indicate any preference to be granted to domestic contractors and the information required for them to establish the eligibility of a Bid/Proposal for such preference.
- 4.2.2 The methods and stages set forth hereunder shall be followed in the evaluation and comparison of Bids/Proposals.
- 4.2.3 Bidders/proposers applying for this preference are required to provide, as part of the data for qualification, details of ownership, to determine whether,

according to the classification established by the Beneficiary and accepted by IsDB, a particular Bidder/proposer or group of Bidders/proposers qualifies for a margin of preference. The RFB shall clearly indicate whether the preference will apply and what method will be followed in the evaluation and comparison of Bids to give effect to the preference.

4.2.4 After Bids have been received and reviewed by the Beneficiary, responsive Bids shall be classified into the following groups:

- i. Group A: Bids/proposals offered by bidders/proposers that are local (domestic) contractors eligible for the preference.
- ii. Group B: Bids/proposals offered by other bidders/proposers.

4.2.5 As a first evaluation step, all evaluated Bids/proposals in each group shall be compared to determine that offers maximum VfM, and the bid that offers maximum VfM in each group shall be further compared with each other. If as a result of this comparison, a Bid/Proposal from Group A is that offers maximum VfM, shall be selected for the contract award. If a Bid from Group B is that offers maximum VfM, as a second evaluation step, all Bids from Group B shall then be further compared with the bids that offers maximum VfM from Group A. For the purpose of this further comparison only, an amount equal to 10% (ten percent) of the respective Bid price corrected for arithmetical errors, including unconditional discounts but excluding provisional sums and the cost of day works, if any, shall be added to the evaluated cost offered in each Bid from Group B. If the Bid from Group A is that offers maximum VfM, shall be selected for award. If not, the bid that offers maximum VfM from Group B based on the first evaluation step shall be selected.

5. Understanding the Impact of the Application of the Margin of Preference

- 5.1. When considering the application of margin of preference, it is crucial to undertake a thorough market assessment to ensure that giving preference to domestic contractors or locally/MCs made goods are of the same quality and it does not negatively impact competition. It is equally important to ensure that local suppliers and locally/MCs made goods adhere to the required technical, environmental, and labor standards.

6. Market Assessment

A comprehensive market assessment should include the following steps:

- i. Market Size and Structure: Evaluate the number of domestic/MCs suppliers, their production capacities, and their market shares. Understand the market dynamics, including the entry and exit barriers, the level of competition, and the presence of monopolies or oligopolies.
- ii. Quality and Standards Compliance: Assess whether domestic/MCs suppliers can meet the technical specifications and standards required for the goods or services. This includes compliance with environmental regulations, labor laws, and other relevant standards.
- iii. Price Competitiveness: Analyze the cost structures of domestic/MCs suppliers compared to international ones. Determine if domestic/MCs suppliers can offer competitive prices without compromising quality.
- iv. Supply Chain Resilience: Evaluate the reliability and resilience of the domestic/MCs supply chain. Consider factors such as lead times, availability of raw materials, logistics, and the ability to anticipate, adapt to and recover from the impact of external shocks and disruptions to the supply chain.

7. Ensuring Standards Compliance

To ensure that margin of preference does not compromise quality, the following steps should be taken:

- i. Technical Standards: Domestic/MCs suppliers must meet the technical specifications outlined in the procurement documents. This includes adherence to quality benchmarks and performance criteria.
- ii. Environmental Standards: Ensure that domestic/MCs suppliers comply with all applicable environmental regulations. This includes sustainable sourcing of materials, minimizing waste, reducing carbon footprint, and adherence to any other environmental guidelines.
- iii. Labor Standards: Domestic/MCs suppliers should adhere to fair labor practices. This includes compliance with labor laws, ensuring safe working conditions, fair wages, and no child or forced labor.

8. Balancing Margin of Preference and Competition

- i. Non-Discrimination: While giving preference to domestic/MCs suppliers, it is essential to ensure that the process does not unfairly discriminate against capable international contractors/suppliers. This includes transparent evaluation criteria, which are disclosed to all bidders in the bidding documents and an objective assessment of all bids.
- ii. Competitive Bidding: Maintain a competitive bidding process where both domestic, MCs and international contractors/suppliers can participate. Ensure that the preference does not lead to inflated prices or reduced quality.

- iii. Capacity Building: Support domestic/MCs suppliers in building their capacities to meet international standards. This can include training, access to better technologies, and improving supply chain efficiencies.

9. Monitoring and Evaluation

Properly defining margin of preference as part of project's procurement arrangement, set criteria in bidding document and regular monitoring of its application with evaluation of its impact are essential to ensure the effectiveness of the margin of preference application. Key performance indicators (KPIs) should be established to track the impact of the preference on competition, quality, price, and compliance with standards. Periodic reviews and adjustments to its application may be necessary, based on the findings.



Annex 1 - Case Study 1— Procurement of Goods & Case Study 2 — Procurement of Works

CASE STUDY 1— PROCUREMENT OF GOODS

Scenario: The Ministry of Health of an IsDB Member Country is implementing a project financed by IsDB. The Ministry intends to procure 500 medical diagnostic machines through International Competitive Bidding (ICB-Open). The approved Procurement Plan and the Request for Bids (RFB) specify that a 15% margin of preference will be applied to eligible domestically manufactured Goods in accordance with the IsDB Procurement Guidelines. The bidding documents also specify the information that bidders must provide to establish eligibility for the preference. This is important because the preference cannot be introduced after bids have been received. IsDB requires the RFB to clearly state whether preference will apply and the methodology to be used.

Six (6) substantially responsive bids are received:

Bidder	Origin of Goods	Bid Price	Group
X	Manufactured in MCs ¹	\$1,020,000	A
Y	Manufactured in MCs	\$1,080,000	A
Z	Manufactured in MCs	\$960,000	B
D	Manufactured in MCs	\$1,010,000	B
E	Manufactured in Non-MCs	\$900,000	C
F	Manufactured in Non-MCs	\$930,000	C

For this hypothetical example all six bids are assumed to be substantially responsive, qualified, and otherwise eligible.

Step 1- Determine the Substantially responsive bid in each group

¹ MC will also include the Beneficiary country

Bidder	Origin of Goods	Bid Price	Best Bid
X	Manufactured in MCs	\$1,020,000	In Group A, Bidder X
Y	Manufactured in MCs	\$1,080,000	
Z	Manufactured in MCs	\$960,000	In Group B, Bidder Z
D	Manufactured in MCs	\$1,010,000	
E	Manufactured in Non-MCs	\$900,000	In Group C, Bidder E
F	Manufactured in Non-MCs	\$930,000	

Step 2- Applying 15% Margin of Preference

Bidder	CIP Price	15 % MoP	Adjusted Evaluated Price	Best Group A	Result
E from Group C	\$900,000	\$135,000	\$1,020,000	Bidder X-\$1,020,000	Bidder X wins
F from group C	\$930,000	\$139,000	\$1,020,000	Bidder X- \$1,020,000	Bidder X wins

Note: Group B is considered fully in Stage 1. Here, **Bidder Z** at \$960,000 is cheaper than **Bidder X** at \$1,020,000, but **Bidder Z** at \$900,000 is cheaper than both. Once Group C is the best bid at Stage 1, the IsDB procedures direct further comparison specifically between all Group C bids and the best Group A bid. Group B is therefore not part of the second-stage preference calculation.

This does not mean that Group B is ignored. It has already competed on its actual evaluated price in Stage 1. The preference is intended to provide the specified advantage to eligible Group A goods, not to all goods manufactured in a Member Country.

Alternative Scenario- Foreign (Non-MC) Bid Still Wins

If **Bidder E** had an evaluated CIP price of \$800,000, its 15% applying would be \$120,000 and its adjusted evaluation price would be \$920,000. Since \$920,000 remains below the best Group A price of

\$1,020,000, **Bidder E** would remain the winner. The preference is therefore not an automatic entitlement to award for a Group A bidder.

CASE STUDY 2 — PROCUREMENT OF WORKS

Scenario: The Ministry of Transport is procuring the construction of a 120-km rural road through ICB². The Procurement Plan and RFB provide that:

A 10% margin of preference will apply to eligible domestic Bidders in accordance with IsDB's Procurement Guidelines.

The bidders are required to provide the ownership and other information necessary to establish eligibility for margin of preference.

IsDB's methodology classifies responsive bidders into:

- Group A: eligible domestic Bidders; and
- Group B: other (MCs or None-MCs) Bidders.

Four substantially responsive bids are received:

Bidder	Bidder	Bid Price	Group
Bidder 1	Domestic Bidder	\$10.20 million	Group A
Bidder 2	Foreign Bidder	\$9.50 million	Group B
Bidder 3	Foreign Bidder	\$9.80 million	Group B
Bidder 4	Domestic Bidder	\$10.80 million	Group A

After correction of arithmetic errors and application of unconditional discounts, the evaluated prices are:

The Substantially evaluated responsive bid from each group is therefore:

- Group A: Bidder 1 — \$10.20 million
- Group B: Bidder 2 — \$9.50 million

The Substantially evaluated responsive Group B bid is lower. Therefore, the margin of preference comparison is applied.

² ICB includes both Open and MC.

Under the IsDB methodology, when a Group B bid offers the best VfM in the first comparison, the Group B bids are further compared with the best Group A bid by adding up to 10% to the relevant Group B bid price for evaluation purposes only. The loading excludes provisional sums and the cost of dayworks, if applicable.

Application of the 10% Margin

For Bidder 2:

Bid Price = \$9.50 million

Margin:

$10\% \times \$9.50 \text{ million} = \$0.95 \text{ million}$

Adjusted evaluation price:

$\$9.50\text{m} + \$0.95\text{m} = \$10.45 \text{ million}$

The comparison becomes:

Bidder	Group	Actual Bid Price	Margin of Preference	Evaluated Price
Bidder 1	A	\$10.20m	—	\$10.20m
Bidder 2	B	\$9.50m	\$0.95m	\$10.45m

As a result, Bidder 1 has the lowest evaluated price:

$\$10.20\text{m} < \$10.45\text{m}$

Therefore, Bidder 1, the eligible domestic Bidder, is recommended for award.

10% is not added to Bidder 2's contract price. It is purely an evaluation adjustment.

Alternative Scenario — Preference Does Not Change the Winner

Suppose instead that Bidder 2's price is:

\$9.00 million

The 10% loading would be:

$\$9.00\text{M} \times 10\% = \$0.90\text{M}$

Adjusted evaluated price:

$\$9.00\text{m} + \$0.90\text{M} = \$9.90\text{M}$

Comparison:

Bidder	Group	Evaluation Price
Bidder 1	A	\$10.20m
Bidder 2	B	\$9.90m

Bidder 2 remains lowest.

Therefore, Bidder 2 would be recommended for award at \$9.00 million despite the margin of preference.



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