

དངུལ་རྩིས་ལྷན་ཁག།

ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE
TASHICHO DZONG



MoF/DNP-14/ 2019-20/1501

29 June 2020

NOTIFICATION

Subject: Amendment to Domestic Preference for Procurement of Goods

The following revision has been made to the Standard Bidding Documents for Procurement of Goods (above Nu. 0.500 million) and Standard Bidding Documents for Procurement of Goods (Up to Nu. 0.500 million).

The changes have been formulated to supplement the Procurement Rules and Regulations and Standard Bidding Documents for Procurement of Goods in standardizing and streamlining the process for providing Domestic Preference to local products or manufacturers and to support and promote growth of local industries/ manufacturers to become competitive and efficient suppliers to the public sector.

**I. Standard Bidding Documents for Procurement of Goods (above Nu. 0.500 million),
Section III: Evaluation & Qualification Criteria (1) Domestic preference (ITB 40)**

1. Domestic Preference (ITB 40)

1.1 If the Bidding Data Sheet (BDS) so specifies, the purchaser may grant a margin of preference to goods manufactured in the Purchaser's country for the purpose of bid comparison, in accordance with the procedure outlined in subsequent paragraphs:

1.2 Bids shall be classified in one of the following groups for comparison:

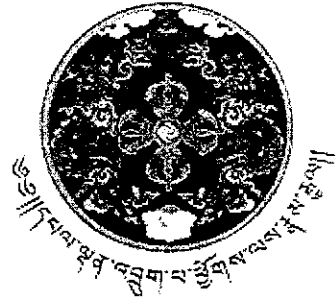
- a) Group A: Bids offering goods manufactured in Bhutan; and
- b) Group B: Bids offering goods manufactured outside Bhutan that have been already imported or that will be imported.

1.3 All evaluated bids in each group shall be compared to determine the lowest evaluated bid. Such lowest evaluated bids from each group shall be compared with each other and if:

- a) As a result of this comparison, a bid from Group A is the Lowest Evaluated Bid (LEB).
- b) This shall be selected for the award.

1.4 All evaluated bids in each group shall be compared to determine the lowest evaluated bid. Such lowest evaluated bids from each group shall be compared with each other and if,

- a) As a result of this comparison, a bid from Group B is the LEB.
- b) An amount of ten (10%) percent domestic preference shall be calculated on Group A's LEB price to be subtracted/deducted on the LEB price (Group A).



དངུལ་རྩིས་ལྷན་ཁག།

ROYAL GOVERNMENT OF BHUTAN
MINISTRY OF FINANCE
TASHICHHO DZONG



- c) After deducting 10% from the LEB price from Group A, this shall be compared with the LEB from Group B to determine the LEB for the award.

II. **Standard Bidding Documents Procurement of Goods (up to Nu. 0.500 M)**

1. Insertion of Domestic Preference Clause in SBD for Procurement of Goods (up to Nu. 0.500 Million) as "A margin of 10% Domestic Preference (*shall/shall not*) apply under Invitation for Quotation (IFQ) as **new Clause 6**
2. Above **Amendment I** shall also be included as Annexure I in Standard Bidding Documents Procurement of Goods (up to Nu. 0.500 M)

III. To supplement the above changes, **Domestic Preference Guidelines for Procurement of Goods, 2020** is also issued.

The above changes will come into force with immediate effect.

Kindly email at gppmd@mof.gov.bt or contact at 02-336962 for any clarification or interpretation.

FINANCE SECRETARY

Copy to:

All Ministries, Constitutional Bodies/ Autonomous Agencies/ Dzongkhags/ Thromdes/ Gewogs



Domestic Preference Guidelines
for
Procurement of Goods 2020

Department of National Properties
Ministry of Finance
Royal Government of Bhutan

A handwritten signature or mark, possibly in ink, located in the bottom right corner of the page. It consists of several fluid, connected strokes.

Table of Contents

Title	3
Legal Authority	3
Objective	3
Effective Date	3
Definitions	3
Eligibility Criteria for the Domestically manufactured goods.	4
Applying for Value Addition Certificate (VAC)	4
Bidding Process	4
Application of ten percent (10%) domestic preference for goods at the evaluation stage:	4
Bids shall be classified in one of the following groups for comparison:	4

1. Title

This Guideline shall be called the Domestic Preference Guidelines, 2020, hereafter, referred to as the Guidelines.

2. Legal Authority

This Guidelines is formulated in line with Clause 1.1.2.2 of Procurement Rules and Regulations 2019, Clause 7.1.17 of the Economic Development Policy (EDP) 2016 and the Standard Bidding Document for Procurement of Goods, 2019.

3. Objective

The objective of this Guideline is to:

- 3.1. supplement the Procurement Rules and Regulations and Standard Bidding Documents for Procurement of Goods in standardizing and streamlining the process for providing Domestic Preference to local products or manufacturers.
- 3.2. support and promote growth of local industries/ manufacturers to become competitive and efficient suppliers to the public sector.

4. Effective Date

This Guideline shall come into effect from 1st July, 2020.

5. Definitions

- 5.1. Domestic preference: Domestic preference refers to the margin of preference given to local companies or individuals and to locally made products in the procurement of Goods and Works.
- 5.2. Value Addition Certificate: Value added certificate issued by the Ministry of Economic Affairs, Royal Government of Bhutan.
- 5.3. Procuring agency: A Government agency, which enters into a contract with a supplier, service provider or contractor for procurement of goods, services or execution of works for the Government.
- 5.4. Lowest Evaluated Bid (LEB): The bid which offers the best value for money, evaluated on the basis of various objective criteria set out in the bidding document. It does not necessarily mean the "lowest quoted price".

6. Eligibility Criteria for the Domestically manufactured goods.

A bidder intending to participate in a bid must provide a value addition certificate issued by the Ministry of Economic Affairs (MoEA) to be eligible for Domestic Preference on Domestically manufactured goods.

7. Applying for Value Addition Certificate (VAC)

- 7.1. The applicant will apply to the respective Regional Trade and Industry Offices RTIOs (Thimphu, Phuntsholing, Gelephu, Samdrup Jongkhar, Mongar & Trongsa) or to the relevant departments.
- 7.2. The RTIOs will get the application validated by the relevant department for value addition and then issue the value addition certificate.

8. Bidding Process

- 8.1. The procuring agency shall clearly indicate in the Standard Bidding Document (SBD) that a margin of ten percent (10%) domestic preference shall apply.
- 8.2. The bidder shall submit the VAC along with the bid to the procuring agency.
- 8.3. The procuring agency shall provide margin of preference to the local manufacturer at the time of bid evaluation.

9. Application of ten percent (10%) domestic preference for goods at the evaluation stage:

- 9.1. Bids shall be classified in one of the following groups for comparison:
 - a. Group A: Bids offering goods manufactured in Bhutan; and
 - b. Group B: Bids offering goods manufactured outside Bhutan that have been already imported or that will be imported.
- 9.2. All evaluated bids in each group shall be compared to determine the lowest evaluated bid. Such lowest evaluated bids from each group shall be compared with each other and if:
 - a. As a result of this comparison, a bid from Group A is the LEB.
 - b. This shall be selected for the award.
- 9.3. All evaluated bids in each group shall be compared to determine the lowest evaluated bid. Such lowest evaluated bids from each group shall be compared with each other and if:
 - a. As a result of this comparison, a bid from Group B is the LEB.
 - b. An amount of ten (10%) percent domestic preference shall be calculated on Group A's LEB price to be subtracted/deducted on the LEB price (Group A).
 - c. After deducting 10% from the LEB price from Group A, this shall be compared with the LEB from Group B to determine the LEB for the award.

- d. After applying domestic preference, if there is a tie in between the LEB price from Group A and LEB price from Group B, preference shall be given to the LEB from Group A.

10. Price

- 10.1. The 10% Domestic Preference deduction shall apply for the purpose of evaluation only if the LEB is from Group A.
- 10.2. The bid price shall not be changed, the prices quoted by the selected bidder shall be the basis for all supply orders and payments during the performance of contract.

The *illustration* are to be used as examples and not to be standardised under any circumstance:

Scenario I : Case of goods with 3 Bidders supplying Goods manufactured in Bhutan and 2 Bidders supplying Goods manufactured outside Bhutan. The LEB is from Group A.

Step 1 : Bids to be classified into Group A and Group B as per Section 9.1 of the Guidelines.

Group A : Bids offering Goods manufactured in Bhutan		Group B : Bids offering Goods manufactured outside Bhutan	
Supplier Name	Bid Price (Nu.)	Supplier Name	Bid Price (Nu.)
Supplier A	1,835.00	Supplier X	1,849.00
Supplier B	1,900.00	Supplier Y	1,910.00
Supplier C	2,010.00		

Step 2 : Compare the evaluated Bids in each Group and determine the LEB in each Group. Section 9.2 of this Guidelines

The LEB in Group A : The LEB is Supplier "Supplier A" with a Bid Price of Nu. 1,835.00.

The LEB in Group B : The LEB is Supplier "Supplier X" with a Bid Price of Nu. 1,849.00.

Step 3 : Compare the LEB between Group A and Group B to determine the overall LEB.

When comparing the LEB between Group A "Supplier A" Nu. 1,835.00 and Group B "Supplier X" Nu. 1,849.00, the Group A "Supplier A" Nu. 1,835.00 is the LEB.

Step 4 : Awarding of Contract.

From Step 3, it is found that the LEB is Supplier "Supplier A" from Group A (Goods manufactured in Bhutan). Therefore, Supplier "Supplier A" will be selected for the award.

Scenario II : Case of goods with 3 Bidders supplying Goods manufactured in Bhutan and 2 Bidders supplying Goods manufactured outside Bhutan. The LEB is from Group B. Domestic Preference is applied and the contract is awarded to Group A.

Step 1 : Bids to be classified into Group A and Group B as per Section 9.1 of the Guidelines.

Group A : Bids offering Goods manufactured in Bhutan

Supplier Name	Bid Price (Nu.)
Supplier A	1,835.00
Supplier B	1,900.00
Supplier C	2,010.00

Group B : Bids offering Goods manufactured outside Bhutan

Supplier Name	Bid Price (Nu.)
Supplier X	1,820.00
Supplier Y	1,920.00

Step 2 : Compare the evaluated Bids in each Group and determine the LEB in each Group. Section 9.3 of this Guidelines

The LEB in Group A : The LEB is Supplier "Supplier A" with a Bid Price of Nu. 1,835.00.

The LEB in Group B : The LEB is Supplier "Supplier X" with a Bid Price of Nu. 1,820.00.

Step 3 : Compare the LEB between Group A and Group B to determine the overall LEB.

When comparing the LEB between Group A "Supplier A" Nu. 1,835.00 and Group B "Supplier X" Nu. 1,820.00, the Group B "Supplier X" Nu. 1,820.00 is the LEB.

Step 4 : Apply 10% Domestic preference on Group A- Bids offering goods manufactured in Bhutan.

- Section 9.3(b) of this Guideline : Apply 10 % on Group A - LEB " Supplier A" Nu. 1,835 = $(1,835) \times 10\% = \text{Nu. } 183.50$. Domestic Preference =Nu.183.50
- Section 9.3 (c) : Deduct the domestic preference from the LEB of " Supplier A" = $1,835 - 183.50 = \text{Nu. } 1,651.50$. This amount shall be considered for bid comparison with Group B " Supplier X" bid price of Nu. 1,820.

Compare the LEB :

Group A "Supplier A" Nu. 1,651.50

Group B "Supplier X" Nu. 1,820.00

The Group A "Supplier A" Nu. 1,651.00 is the LEB, after applying 10% domestic preference .

Step 5 : Awarding of Contract.

From Step 4, it is found that the LEB is Supplier "Supplier A" from Group A (Goods manufactured in Bhutan). Therefore, Supplier "Supplier A" will be selected for the award.

Step 6 : Placing Supply Order.

While placing the supply order the guidance serial no. 15 shall apply where it states *"The prices quoted by the selected bidder shall be the basis for all supply orders and payments during the performance of contract"*.

Scenario III : Case of goods with 3 Bidders supplying Goods manufactured in Bhutan and 2 Bidders supplying Goods manufactured outside Bhutan. The LEB is from Group B. Domestic Preference is applied and the award is given to Group B.

Step 1 : Bids to be classified into Group A and Group B as per Section 9.1 of the Guidelines.

Group A : Bids offering Goods manufactured in Bhutan

Supplier Name	Bid Price (Nu.)
Supplier A	2,050.00
Supplier B	2,150.00
Supplier C	2,175.00

Group B : Bids offering Goods manufactured outside Bhutan

Supplier Name	Bid Price (Nu.)
Supplier X	1,820.00
Supplier Y	1,920.00

Step 2 : Compare the evaluated Bids in each Group and determine the LEB in each Group. Section 9.3 of this Guidelines

The LEB in Group A : The LEB is Supplier "Supplier A" with a Bid Price of Nu. 2,050.00.

The LEB in Group B : The LEB is Supplier "Supplier X" with a Bid Price of Nu. 1,820.00.

Step 3 : Compare the LEB between Group A and Group B to determine the LEB.

When comparing the LEB between Group A "Supplier A" Nu. 2,050.00 and Group B "Supplier X" Nu. 1,820.00, the Group B "Supplier X" Nu. 1,820.00 is the LEB.

Step 4 : Apply 10% Domestic preference on Group A- Bids offering goods manufactured in Bhutan.

- Section 9.3 (b) of this Guideline : Apply 10 % on Group A - LEB " Supplier A" Nu. 2,050.00 = $(2,050.00) \times 10\% = \text{Nu. } 205.00$. Domestic Preference =Nu. 205.00

- Section 9.3 (c) : Deduct the domestic preference from the LEB of “ Supplier A” = 2,050.00 - 205 = **Nu. 1,845.00**. This amount shall be considered for bid comparison with Group B “ Supplier X” bid price of **Nu. 1,820**.

Compare the LEB :

Group A “Supplier A” Nu. **1,845.00**

Group B “Supplier X” Nu. **1,820.00**

The Group B “Supplier X” Nu. **1,820.00** is the LEB, even after applying 10% domestic preference to Group A “Supplier A”.

Step 5 : Awarding of Contract.

From Step 4, it is found that the LEB is Supplier “Supplier X” from Group B. Therefore, Supplier “Supplier X” will be selected for the award.

