

**LEGAL UPDATE**

## **Key Amendments Introduced by the Public Procurement Ordinance, 2083 (2026) in Nepal**

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Complete summary of the Public Procurement (Second Amendment) Ordinance, 2083 (2026) in Nepal. Major updates on procurement methods, reverse auction, bid evaluation, domestic goods preference, joint ventures, variation orders, mobilization advance, and new incentives for timely completion.

## Context

1. The Government of Nepal has recently introduced a number of ordinances in the period when the House of Representatives was not in session. These ordinances were issued by the President on the recommendation of the Council of Ministers under Article 114(1) of the Constitution of Nepal. Among them, the Public Procurement (Second Amendment) Ordinance, 2083 (2026) (the “**Procurement Ordinance**”) here, was issued to amend the Public Procurement Act, 2063 (2006) (the “**Act**”) here. The Act is the principal law governing the procurement of goods, construction works, consultancy services and other services by public bodies in Nepal.
2. The Procurement Ordinance is a temporary legal instrument. Although it has the force of law from the date of its issuance, it must be presented before both Houses of the Federal Parliament in the next session. The Procurement Ordinance will cease to have effect (a) if the Ordinance is presented before both Houses of the Federal Parliament and is not approved by both Houses; (b) if the Ordinance is repealed by the President at any time; or (c) if sixty days pass from the date on which both Houses of the Federal Parliament meet. If it is approved by the Federal Parliament, it will be converted into parliamentary enactment.
3. This legal update provides an overview of the key changes introduced in Nepal’s public procurement laws through the said Ordinance.
4. This legal update has highlighted the changes which are more relevant to the non-governmental sectors participating in the public procurement process, i.e., supplier of goods or services or construction contractors.

## Expansion of the Scope of Procurement

5. The Procurement Ordinance has expanded the scope of procurement by adding certain definitions as follows:

Act Reference	Key Changes
<b>Section 2(c)</b>	Previously, “goods” meant movable or immovable, living or non-living goods of any kind, and also included incidental services relating to supply of such goods. The amendment has now expanded the meaning of goods to include <i>physical or non-physical goods, infrastructure management, operation and maintenance, and other non-consulting services.</i>

Act Reference	Key Change
<b>Section 8(1)(a)(11)</b>	The amendment has now introduced reverse auction as an additional procurement method. The reverse action is a method where the public body's cost estimate is <u>treated as the maximum amount and bidders are given a fixed period to reduce their quoted amount.</u> The bidder quoting the lowest amount within that period may be selected.
<b>Section 8(2)</b>	Previously, the Act prohibited splitting procurement in a manner that restricted competition or changed the procurement method. The amendment has now also restricted public bodies from preparing <u>large packages in a manner that restricts or limits competition.</u>
<b>Section 11(4), 11(5), 11(6)</b>	Previously, the Act did not clearly set out the present form of one-envelope and two-envelope bidding systems. The amendment now provides that where bidder qualification is not required, technical and financial proposals may be submitted in <u>one envelope.</u> Where bidder qualification is required, technical and financial proposals must be submitted in <u>two separate envelopes.</u>
<b>Section 2(f)</b>	Previously, " <u>other services</u> " mainly covered the hiring of vehicles, equipment or goods, transportation, and repair and maintenance. The amendment has now expanded the scope of "other services" to also <u>include advertisement, security service, cleaning service, air ticketing.</u>

## Changes in Procurement Methods and Bid Process

6. The Procurement Ordinance has introduced new procurement methods and has also restricted procurement structuring that may limit fair competition.

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### Changes in Bidder Qualification and Bidding Documents

- The Procurement Ordinance has amended qualification requirements and bidding document requirements, especially in relation to bid capacity, joint ventures and technical-financial weightage.

<b>Act Reference</b>	<b>Key Changes</b>
<b>Section 10(2)</b>	Previously, qualification criteria of bidders included professional and technical qualification, equipment availability, past performance, after-sales service, spare parts availability, legal capacity, financial resources and similar matters. The amendment has now added <u>technical and financial capacity / bid capacity</u> as a qualification ground.
<b>Section 10(2B), Section 13(2) (d2) Section 25(9)</b>	Previously, there was no express provision in this form requiring technical and financial proposal weightage to be determined and mentioned in the bidding documents. The amendment now allows <u>technical and financial proposal weightage to be determined in prescribed cases</u> . Accordingly, the <u>bidding documents must mention such weightage, and after evaluation on that basis, the lowest evaluated substantially responsive bid shall be determined</u> .
<b>Section 13(2) (d1)</b>	Previously, there was no express provision in this form regarding the responsibility of joint venture members or restriction on transfer of joint venture responsibility. The amendment now provides that <u>where construction work is obtained through a joint venture, all members of the joint</u>

	<u>venture shall bear responsibility and complete the work as per the agreement. Such responsibility cannot be transferred to any single member, limited members or any other person.</u>
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## Changes in Notice Publication and Preference Disclosure

8. The Procurement Ordinance has introduced amendments in notice publication requirements, iterated as follows.

Act Reference	Key Changes
<b>Section 14(1)</b> <b>Section 14(2)</b>	Previously, tender or pre-qualification notice was required to be published in a national daily newspaper, and in international media for international competitive bidding. The amendment now provides that where a <u>tender or pre-qualification proposal is invited through the electronic procurement system, the notice is not required to be published through other media.</u> If the notice is <u>not invited through the electronic procurement system, it must be published on the PPMO website and on the website of the concerned public body, or, if such public body has no website, on its notice board.</u>
<b>Section 14(8A)</b>	The amendment now requires public bodies to give priority to <u>domestic goods as prescribed, and such priority must be clearly mentioned in the bidding documents.</u> For this purpose, pursuant to the Ordinance, <u>“domestic goods” means goods produced using domestic labor and raw materials, or goods produced by domestic industries with at least 30% value addition in Nepal. Goods merely imported and branded in Nepal are not treated as domestic goods.</u>

## Changes in Bid Evaluation and Award Process

9. The Procurement Ordinance has introduced mechanisms relating to bid evaluation, low bids, bids higher than cost estimate and equal lowest bids.

Act Reference	Key Change
<b>Section 25</b>	Previously, the Act provisioned a general framework for bid evaluation. The amendment clarifies the evaluation process

	for both one-envelope and two-envelope bidding. Accordingly, in two-envelope bidding, <u>the technical proposal is opened and evaluated first, and only technically responsive bidders proceed to financial evaluation. Further, where a construction bid is quoted more than 30% below the approved cost estimate, the evaluation committee must request rate analysis and examine whether the work can be performed at the quoted rate.</u>
<b>Section 26(1C)</b> <b>Section 26(1D)</b>	Previously, there was no express provision allowing negotiation with the lowest evaluated substantially responsive bidder where the bid amount was substantially higher than the cost estimate. The amendment now allows the <u>public body to negotiate with such bidder and proceed by agreeing on a lump-sum discount percentage to bring the bid amount within the approved cost estimate. However, such negotiation cannot change the specification or reduce the quality mentioned in the bidding documents.</u>
<b>Section 27(1A)</b>	Previously, there was no express provision for selection where two or more lowest bidders quoted the same amount. The amendment now provides that <u>where two or more lowest bidders quote the same amount, the lowest evaluated substantially responsive bid shall be selected on a lottery basis.</u>

## Changes in the Contract Implementation

10. The Procurement Ordinance has amended provisions relating to mobilization advance, variation orders and continuity of construction work even in the event of dispute, iterated as follows.

Act Reference	Key Changes
<b>Section 41A</b>	The amendment has now <u>inserted a new provision allowing goods and services published in the Government e-Marketplace prepared by PPMO to be directly procured up to the prescribed amount. Producers, suppliers and service providers must publish details</u> of their goods and services with price in the system.

<b>Section 52A</b>	Previously, Section 52A already allowed mobilization advance against an advance bank guarantee, up to <u>20% of the procurement contract amount</u> . The amendment retains this limit but further clarifies that, <u>for construction works, mobilization advance may be provided for site preparation, temporary camp, labor arrangement, labor accommodation, machinery/equipment management and similar related works</u> . Before providing such advance, the <u>public body must obtain the contractor's main activities and work schedule</u> .
<b>Section 54</b>	Previously, variation order above 25% required approval from the Government of Nepal, Council of Ministers. <u>The amendment now provides that any variation above 15% may be approved by the Departmental Chief</u> . Hence, no variation is subject to approval from the Council of Ministers.
<b>Section 58A</b>	Previously, there was no corresponding provision in this form. The amendment now provides that public infrastructure construction <u>work shall not be stopped merely because of disputes between the parties regarding infrastructure construction</u> .

### Other Relevant Institutional and Incentive Changes

11. Apart from the above, the following additional changes have also been introduced in the Ordinance, as iterated herein.

<b>Act Reference</b>	<b>Key Changes</b>
<b>Section 62A</b>	The amendment now provides that <u>the Government of Nepal or the highest executive body of the public body may provide incentive and appreciation letter to a construction business that completes construction work within the initial prescribed period and with prescribed quality</u> .
<b>Section 61B</b>	The amendment now provides that employees involved in procurement <u>work may be provided incentive facilities where the procurement work is completed within the initial prescribed period, with quality and excellent results</u> .

<b>Section 66A</b>	The amendment now establishes a Government Procurement Service Office under the Office of the Prime Minister and Council of Ministers. Its functions, duties and other arrangements shall be as prescribed.
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