

"Half of the harm that is done in this world is due to people who want to feel important. They don't mean to do harm. But the harm does not interest them." ~ T. S. Eliot

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# Public Procurement Regulatory Authority

Cabinet Division Islamabad

## THE MEAT PRINCIPLE

"Most Economically Advantageous Tender' is where the MEAT in public procurement lies. Also known as Value for Money or VFM, in order to make sure that buying is done in a way that is economically efficient and that public funds are used objectively and in best interest of the public. PPRA Rules 2004 spells it out clearly in Rule 4 in the following manner:

Principles of procurement: - Procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is efficient and economical.

Numerous studies in developed countries have demonstrated the difficulty that national departmental practices can defeat these established policy objectives - and stubbornly resist the many attempts to reform the system. A common difficulty is the lack of a developed and independent system of judgment within government and a lack of the typical systems of governance that characterize the private sector. Public procurement is slower, up to twice as costly as and less profitable than private sector procurement; most public sector purchases involve locally-based or long-standing suppliers. The result is mutual dependence between suppliers and public sector purchasers; when potentially more efficient and competitive suppliers are locked out of the public procurement process. Departmental practices are at the root of the problem rather than deficiencies in the rules themselves. Methodologies and processes for the development of best practices and the development of best practice between the private and public sectors is that steps need to be taken to encourage a transformation of public procurement practices, such as awarding of contracts on a most economically advantageous tender basis instead of merely awarding to the lowest price

conforming offer. Greater use of tenders inviting variants. Perhaps the biggest issue when government is compared to the private sector is the lack of certain important independent oversight functions that exist to ensure that commitments are fulfilled. A task for which the power vests with the PAO of the procuring agency. When the PAO is accountable before the Public Accounts Committee oversight logically becomes a part of PAO's responsibility. A fact which has slipped attention.

## CAPACITY BUILDING AT NIP: 30-31 MARCH 2011

The fortnightly 2-day training session at National Institute of Procurement (PPRA) is operative for last four years. Its positive impact is being felt in the shape of better compliance in respect of PP Rules 2004 by the procuring agencies. The participants have played the role of change agent and resultantly the violations have been reduced considerably and a clean and procurement culture would become a reality.

The last session was held on 13-14th April 2011 and at this occasion Mr. Abdul Waheed Khan Controller General Accounts was the chief guest. He gave his insight from long years of experience in the Audit and Accounts service of Pakistan and delved on the importance of PP Rules. In conclusion he awarded certificates to the participants of the session.



"Even in literature and art, no man who bothers about originality will ever be original: whereas if you simply try to tell the truth (without caring two pence how often it has been told before) you will, nine times out of ten, become original without ever having noticed it."

~ C. S. Lewis



**PPRA**

Government of Pakistan

Public Procurement Regulatory Authority

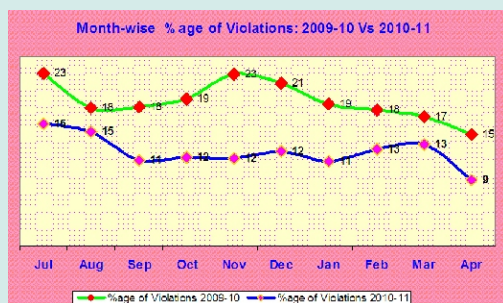
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## MONITORING AND IMPLEMENTATION:

Under Rule 12 procurements over one hundred thousand rupees and up to the limit of two million rupees are advertised on PPRA website. To follow this rule some agencies directly upload the tenders, some send email/fax/letters to PPRA and remaining tenders are obtained from newspapers to be uploaded on Authority's website by PPRA monitoring and IT wing. Each and every tender is then analyzed by the monitoring wing and the violations of PP Rules found are indicated to the concerned procuring agency. This method has been highly effective in reducing Rules violations, which is evident from the graph-1. The efforts of PPRA are visible from the graph below as the percentage of violations done by the procuring agencies have declined significantly over the time. Similarly average rate of violations has also declined from 17% in 2009-10 to 11% in 2001-11.



During the first four months of CFY a reduction in uploaded tenders has been witnessed because of the impact of unprecedented floods in the country. However, since November 2010 again there is a rising trend and more tenders are being floated as compared to the previous year.

The month-wise details of tenders uploaded have been depicted in the table below:

Months	Tenders Uploaded		Growth
	2009-10	2010-11	
July	1435	1331	-7.2
August	1466	1270	-13.4
September	1515	1229	-18.9
October	1903	1595	-16.2
November	1343	1474	9.8
December	1434	1700	18.5
January	1657	1935	16.8
February	1276	1810	41.8
March	1633	2222	36.1
April	1843	2300	24.8
July-May	15505	16866	8.8

## THE RULES CORNER

### Public Procurement Rule No. 32:- Discriminatory and difficult conditions.-

Save as otherwise provided, no procuring agency shall introduce any condition, which discriminates between bidders or that is considered to be met with difficulty. In ascertaining the discriminatory or difficult nature of any condition reference shall be made to the ordinary practices of that trade, manufacturing, construction business or service to which that particular procurement is related.

### 33. Rejection of bids.-

(1) The procuring agency may reject all bids or proposals at any time prior to the acceptance of a bid or proposal. The procuring agency shall upon request communicate to any supplier or contractor who submitted a bid or proposal, the grounds for its rejection of all bids or proposals, but is not required to justify those grounds.

(2) The procuring agency shall incur no liability, solely by virtue of its invoking sub-rule (1) towards suppliers or contractors who have submitted bids or proposals.

(3) Notice of the rejection of all bids or proposals shall be given promptly to all suppliers or contractors that submitted bids or proposals.

### 34. Re-bidding.-

(1) If the procuring agency has rejected all bids under rule 33 it may call for a re-bidding.

(2) The procuring agency before invitation for re-bidding shall assess the reasons for rejection and may revise specifications, evaluation criteria or any other condition for bidders as it may deem necessary.

## EDUCATION CORNER:

### Public Contracting, Procurement and Corruption

Experts identify procurement as one of the areas most prone to corruption in the health and education sectors<sup>1</sup>. Corruption in procurement affects the efficiency of public spending and donors' resources, creates waste and, ultimately, affects the quality of health and education services and the opportunities they present to improve quality of life. Corruption also harms companies that produce goods and services in this area as it increases operation costs, reduces competitiveness and, in the

medium term, is not good business.

Contracting is the main way a government operates and public money is spent. In this sense, contracts are the vehicles for implementing public policy. A significant portion of health and education expenditure goes to procurement or contracts for goods and services. It is estimated that between 20-50% of the government health budget is used to procure drugs. Preventing and controlling corruption in procurement is, therefore, a determining factor in policy and project efficiency.

Corruption often refers to spiritual and moral impurity or deviation from an ideal. This takes a form of contrasting a pure spiritual form with a corrupted manifestation in the physical world. Generally speaking it is the misuse of public office for private gain.

Corruption is a major hindrance to sustainable development and is corrosive on the very fabric of society. According to World Bank statistics the insidious plague of corruption has become US \$ 1 trillion/year industry. Discretionary power is at its greatest when the public demand and the public preferences are delegated to the public agent and defined during a bilateral bargaining process. Then the civil servant is choosing the private part, while price and other contract conditions are the result of the negotiation process. In many countries corruption adds upwards of 10% to the cost of doing business and it adds as much as 25% to the cost of public procurement undermining not only the business performance and declining economic growth but hampers the quality of life of societies at large. Over recent times the fight against corruption has gained momentum through international anti corruption organizations like Transparency International (TI), United Nations Convention Against Corruption (UNCAC) and Organization for Economic Corporation And Development (OECD). Although establishing a business code of ethics and rules for corporate governance around the world is an uphill task yet the companies are more focused on developing anti corruption measures to protect their reputation and goodwill so as to set benchmarks for good governance.

<sup>1</sup> [Http://www.u4.no/themes/procurement/procurementintro.cfm](http://www.u4.no/themes/procurement/procurementintro.cfm)