

"Nothing that is morally wrong can be politically right."

~ William E. Gladstone

Managing Editor : Managing Director
mdppra@ppra.org.pk
Executive Editor : Khalid Mahmood Lodhi (Director)
director@ppra.org.pk
Editor : Naeem Ahmed (Deputy Director)
naeemahmed@ppra.org.pk
Coordinator : Syed Mohsin Hassan (Web Designer)

Public Procurement Regulatory Authority

Cabinet Division Islamabad

Education Corner: Co-ordinates of Long-run Economic Growth (Part-II) (Continued from previous)

There are two types of co-ordinates of long-run economic growth and development i.e. **Destiny** and **Choice**. Human being has no control over the first one as it is bestowed by the nature and it can't be created or imported. However, the second one **the Choice** is controlled by the human being thus the success or failure would largely depend on the choices like policies, human capital, institutions, leadership etc. It is a common perception that the countries with abundant natural resources develop more rapidly and are richer than others. Contrary to this, there is a group of economists who believe that the basic role is played by the choices and not the **destiny** (natural resources). In the previous issue the role of institutions and human capital was discussed. This part discusses the role of policies in the discourse of development.

Policies: What is the role of fiscal, monetary or trade policies in attaining growth and development? Can only the prudent policies attain economic growth in the long run? Of course the role of policies is vital for attaining economic growth, but the policies can only be fruitful if implemented carefully by the efficient and independent institutions. The key factor, while framing policies, is not only the short run needs but long term requirements should also be focused keeping in view the globalization, technological innovations and rapid changes in all walks of life. All policies have important role to play nonetheless, in contemporary world the weight of trade policy has increased manifold. The changes in trade policies like increase or reduction in tariff rates, quotas, barriers and export subsidies affect the economic growth. Dollar and Kraay (2002) have evaluated the role of institutions and international trade in economic development and they provided the evidence that the countries with better

institutions grow faster. For example the policy shift by China from closed to open economy and more trade liberalization since late '80s led the economy from an average economy to one of the great economic powers of the world. Similarly, in Pakistan the policy of openness and reduction in custom tariffs from 92% in year 1994-95 to 25% in 2009-10 resulted into increase in the revenue from Customs duties by more than 100%, similarly the exports and imports of the country increased by more than 350% during the same period.

Similarly other factors like leadership and political will in the discourse of economic development is quite important. It is perceived that leadership's role is central; a sincere, determined and wise leadership can change the fate of nation through wise policies and vision. Edward, Rafael, Florencio and Andrei (2004) highlight the importance of leaders and say that the institutions have not been the way for a poor country to escape poverty, rather, countries escaped poverty by having committed, wise and loyal leaders. For any revolutionary change the leader works as driving force by giving guidance, formulating policies, sharing wisdom and ultimately success to the nation. Strong determination and wisdom when combined together changes the fate of the nations.

Hence it is concluded that only geographical location or natural resources endowments are not sufficient condition for economic development. It has been witnessed in many cases where countries with abundant natural resources could not reap fully the benefits and remained poor and underdeveloped. On the other hand it has been observed that the factors like good governance, institutions, policies, human capital and leaders have played a key role in attaining economic growth and development despite the lack of natural resources and ideal geographical location. The countries which are poor and underdeveloped need to revisit their policies and attitudes. It is not their fate which keeps them poor but it is the matter of choices.

"The character ethic, which I believe to be the foundation of success, teaches that there are basic principles of effective living, and that people can only experience true success and enduring happiness as they learn and integrate these principles into their basic character."

~ Stephen R. Covey



PPRA

Government of Pakistan

Public Procurement Regulatory Authority

FBC Building, G-5/2, Islamabad

(www.ppra.org.pk)

Phone # 051 9202254 Fax # 051 9219149

EDITOR'S NOTE: ETHICAL PUBLIC PROCUREMENT

As a precursor to honest and corruption free public procurement there is this concept of ethical procurement, may seem naive from obtaining situation but I see no harm in highlighting essential elements of this wide concept:

1. Application and interpretation of rules must be in accordance with the intention and respect for rules.

2. Integrity is a personal trait such as honesty, truthfulness, fidelity, probity and freedom from corruption.

3. Impartiality and fairness ensures the objectivity and lack of bias, the restrained and equitable adoption of decisions, avoiding any conflict of interest.

4. Due diligence refers to carrying out duties professionally, carefully and thoroughly, going well beyond the minimum effort.

5. Avoidance of appearance of impropriety: the public trust cannot be compromised. Employee behavior should be regular and proper and should also be seen to be so. 6. Making decisions based on the whole life cost, the associated risks, measures of success and social implications and the environment.

7. Making decision setting procurement into a broader strategic context including a number of factors like the avoidance of child labor, exploitation, bonded or forced labor and working conditions. 8. Contracting authority should consider the effects of the contractor choice on issues such as poverty eradication, human rights, fair-trade, sustainable development and inequality in the distribution of resources. 9. Consideration should also be given to the effects on the environment that the assets, supplies and/or services may have, including, where possible, to the effects of waste management. 10. Decisions of procurement including those linked to the transport of aid, must respect and reflect the humanitarian principle of neutrality particularly disaster or conflict. Therefore a contractor with known links to one of the parties to a conflict and the use of military or civil defense assets should be used as a last resort when comparable civilian alternatives cannot be found. 11. Contracting Authority should consider, where possible, whether that contractor is also involved or linked to illegal activities (e.g. arms, drug or people smuggling). 12.

Contracting Authorities shall reject any proposal put forward by tenderers or candidates, or, where applicable, terminate their contract, if it is determined that they have been involved in corrupt, fraudulent, collusive or coercive practices, contracting authorities are responsible to introduce provisions in the bidding and contractual documents.

Corrupt practice is defined as is the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the activities of the contracting authority;

Fraudulent practice is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, the contracting authority to obtain a financial or other benefit or to avoid an obligation;

Collusive practice is an undisclosed arrangement between two or more tenderers or candidates designed to artificially alter the results of the tender procedure to obtain a financial or other benefit;

Coercive practice is impairing or harming, or threatening to impair or harm, directly or indirectly, any participant in the tender process to influence improperly its activities.

Rules Corner: Rule 42 (Part-II continued from previous)

(c) direct contracting.- A procuring agency shall only engage in direct contracting if the following conditions exist, namely:-

(i) the procurement concerns the acquisition of spare parts or supplementary services from original manufacturer or supplier:

Provided that the same are not available from alternative sources;

(ii) only one manufacturer or supplier exists for the required procurement: 1

Provided that the procuring agencies shall specify the appropriate fora, which may authorize procurement of proprietary object after due diligence; and

(iii) where a change of supplier would oblige the procuring agency to acquire material having different technical specifications or characteristics and would result in incompatibility or disproportionate technical

difficulties in operation and maintenance:

Provided that the contract or contracts do not exceed three years in duration;

(iv) repeat orders not exceeding fifteen per cent of the original procurement;

(v) in case of an emergency:

Provided that the procuring agencies shall specify appropriate fora vested with necessary authority to declare an emergency;

*(Vi) when the price of goods, services or works is fixed by the government or any other authority, agency or body duly authorized by the Government, on its behalf, and

*(Vii) for purchase of motor **vehicle from local original manufacturers or their authorized agents at manufacturer's price.



Capacity Building:

A training program was held on October 25-26, 2011 at National Institute of Procurement (NIP), PPRA Islamabad wherein 18 officers representing different procuring agencies all over Pakistan participated in the training program and found the workshop highly interactive and beneficial. The participants of the program reiterated that compliance of Public Procurement Rules, 2004 in letter and spirit is inevitable to bring transparency and quality in public procurements. Moreover, Mr. Khalid Mahmood Lodhi, Director (PPRA) concluded that one ought to incarnate and discover his true self as an emblem of a better human being and choose the right decision in the best interest of the organization. In the end the chief guest Mr. Saleemullah, Director, PPRA distributed the certificates.