

An Introduction to Procurement



a talk at
**Pakistan Institute of Development
Economics**

January 2007

A Good Procurement Practice Ensures...

- Funds are used for the purposes intended
- With economy
- With efficiency
- Giving equal opportunity

Procurements are costly

- Pub Proc in a Dev. Country 15 – 20 % GDP
- Pakistan's GDP 2004-5 ~ US \$ 112 bil
- Public Procurements ~ US \$ 17-22 bil
- External Assistance 2004-2005
 - Commitments (Loans) ~ US \$ 2.5 bil.
 - Disbursements (Loans) ~ US \$ 1.8 bil.

How was the move made.....

No procurement Rules

Country Procurement Assessment Report (CPAR) 2000 emphasized the need of a regulatory framework

NACS gave a basis for transparent procurement procedures

Public Procurement Regulatory Authority Ordinance 2002

Sequence of Reforms

- Regulatory framework
- Institutional strengthening
- Capacity Building

Regulatory Framework

- Procurement Reforms enacted by Law
 - Public Procurement Regulatory Authority Ordinance 2002
 - Public Procurement Rules 2004
- Objective of Reforms:
 - Economy (Value for money), Efficiency, Transparency, Accountability, Competition & Good Governance

Regulatory Framework

- Reform Applicable to:
 - Federal Government Agencies
 - Public Sector Organizations

Public Procurement Rules ... features

- Procurement Planning
- Procurement Methods
- Procurement Advertisement
- Standard Documents
- Opening, Evaluation & Rejection of Bids
- Acceptance & Award of Contracts
- Maintenance of Records and Freedom of Information
- Grievance Redressal

Procurement Planning

- Requirements for a year to be advertised in advance
- Limitation on splitting or regrouping
- Generic Specifications
- Approval Mechanism to be in place
- Estimated cost to be realistic

Procurement Methods

- Competitive Bidding
- Request for quotations (shopping)
(upto Rs 40,000) now 100,000
- Petty Purchases
(upto Rs 10,000) now 25,000
- Direct contracting
 - (Repeat Orders upto 15 % only)
- Negotiated Tendering.

Competitive Bidding

- Advertisement
- Qualification (pre or post)
- Issuance of bidding documents to qualified/all interested firms
- Public bid opening
- Evaluation
- Disclosure
- Contract award

Advertisement

- Invitation to Bid
 - Upto Rs. 1.0 Million (now 2.0 million)
 - On Authority's Website
 - Over Rs. 1.0 Million (now 2.0 million)
 - On Authority's Website & Print Media

(Pre) Qualification

- project specific
- for complex/large projects
- evaluation criteria is given
- all interested firms are allowed to participate

Standard Documents

- **Bidding Documents** - standard Documents prescribed
- **Specifications** - to be generic
- **Post Qualification Criteria** – stated in Bidding Documents
- **Bid Evaluation** - Criteria stated in Bidding Documents
- **Form of Bid**
- **List of Goods or BOQ's**
- **Completion Schedule**
- **Bid Security** – maximum upto 5 %

Opening and Evaluation

- Public Opening of Bids
- Evaluation based on criteria given in the bid documents
- No bar on accepting single bids
- **NO Financial Negotiations**
 - Only Technical Negotiations allowed

Award Criteria

Lowest Evaluated Responsive Bidder

Disclosure

Evaluation Report is announced 10 days before the award

Complaint Redressal

- Redressal committee in the procuring department
- Aggrieved party to lodge complaint within 15 days of publication of evaluation report
- Investigation to conclude within 15 days
- Procurement process to continue

Contract Award

Letter of award

Performance (if needed) not to exceed 10%

The Difference brought is.....

- Procurement planning
- Pre-qualification to be transparent
- Single bids not disallowed
- No negotiations on cost
- Evaluation Report announced prior to award
- Formal complaints handling mechanism
- Integrity Pact

Role of PPRA

- Does not interfere with decisions of the procuring authority
- Role of the custodian of the rules
- Database management
- Facilitates capacity building through training
- Audits are done by Auditor General

The Provincial Scenario

- Sindh has adopted PPRA as an interim arrangement; consultations on with stakeholders for amendments.
- Punjab has developed a procurement strategy; consulting with stakeholders to amend PPRA for adoption
- NWFP has its own law, amending the rules to align them with international best practice.
- Balochistan has decided to adopt PPRA

Bank's Views

On Rules

- A tremendous achievement
- Separate rules required for consultancy services
- Implementing regulations needed
- Standard bidding documents to be adopted
- Synchronized efforts needed in the provinces

Bank's Views

On Capacity Building

- Disclosure required
- Comprehensive training programs down to the district level (and below), as well as AG office
- Technical capacity in public sector
- Procurement Accreditation System
CIPS, Engineering Universities, business schools.

Next Steps

- Develop Implementing Regulations
- Adopt SBD and RFPs
- Provide standard formats for advertisements, BERs etc,
- Fully functional PPRA

Bank's engagements

On project level

- Bank's procurement rules apply
difference in ceilings, different rules for consultancies
- Training and capacity building of the project staff
- Professional advice

Bank's Engagements

On Reform Level

- PPRA capacity building, regulations, revision of rules for consultancies, second tier of appeals
- Setting up a procurement accreditation system with CIPS
- Helping Sindh with consultation process
- Assisting NWFP in revising the rules, training the staff, networking with districts for market rates database.
- Developing Baselines of procurement systems and capacity in all provinces.

Bank's Goal

Accept national procurement practices

A blue-tinted photograph of a vast ocean under a cloudy sky. The text "Thank you" is centered in the upper half of the image.

Thank you

Steps of Procurement (Consultancy Services)

(QCBS, QBS, LCS, SBCQ, SSS, FBS)

- Notification and advertising ● ● ● ●
- Short-listing ● ● ● ●
- Issuance of RFP to short listed firms ● ● ●top ●
- Submission of proposals ● ● ● ●
- Opening of Technical Proposals and Evaluation ● ● ●
- Opening of Financial proposals and Evaluation ● ●
within budget
- Selection of best firm ●lowest ●tech
- Negotiation (L) ●C ●L ●C ●C ●L
- Signing of Contract ● ● ● ● ●