

PUNJAB PROCUREMENT  
REGULATORY  
AUTHORITY



ANNUAL REPORT 2013-14

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# INTRODUCTION

Laying out clear mechanism for Public Procurement is a part of the thrust area of the new procurement regime to match with the imperatives of a growing and liberalized economy. Government undertakes procurement activity for variety of goods, services and works to carry out its public service functions. Involvement of tax payers money in the procurement make it Public Procurement. With increase in the size and activities of the Government the procurements considered to be the lifeline of public sector functioning have also burgeoned in there out lay making them a substantial part of the annual budget (40% to 50%). The procurements due to heavy expenditure involvement have become an important tool for achieving economic, social and other objectives. The procurement of goods, works and services is as core element of the operations of Government, enables it to secure the inputs required for fulfillment of its tasks and to substantively impact key stake holders in society.

Since public resources are scarce, the efficiency of the procurement process is a primary considerations of every procurement regime. Open, transparent and non-discriminatory procurement is generally considered to be the best tool to achieve “value for money” as it optimize competition among suppliers. Transparency and accountability in a public procurement system essentially covers important aspects of the procurement system that includes stakeholders as part of the system. It requires an enabling environment, an institutional framework, management capacity and a legislative<sup>3</sup> framework. This necessitated to create a public procurement environment which should be cross functional activity that works in a multi-faceted challenging fields.

The procurement regime in Punjab Province has undergone three stages evolution. Prior to 1985 the public sector procurement was conducted by the Procurement Wing of Industries Department. Due to increasing quantum of procurement the setup has gone to almost a stale level which necessitated to shift to decentralize mode. Allowing for the

grown requirements the Punjab Government through purchase manual decentralize the procurement system. The Public Sector Organization were allowed to make their purchases at their own level through their purchase committees headed by Administrative Secretaries of the Department or head of the Organization. The purchase manual was revised in 1988 in order to conform with the requirements. However the system had certain ill such as transparent procurement procedures, bid negotiation which lead to kick-back and also discouraged bidders to quote their best price etc such ill, thwart genuine business. In order to vitiate the defects in the procurement system and to achieve best value for money, efficiency, transparency, accountability, fair competition and good governance, new procurement system has been brought in by promulgating PPRA Act 2009. The new system not only responds to the international best practices, rather it provides a harmonized procurement setup throughout the country and is a source of effective efficiency.

# EXECUTIVE SUMMERY

Public procurement management in Punjab like in most developing countries needs a lot of improvement. Laws, Rules, Regulations are either non-existent or scarcely implemented or enforced. Capacity and morale of the work force is low and accountability and transparency on need basis. Public procurement practitioners face challenges from both external and internal environment. The former include legal, political, economic and business and socio-cultural environments. The later is related to three factors: "People who make procurements decisions, Processes which provide a guidance to the practitioners and controls which ensures probity, transparency and accountability. For dealing effectively with the challenges coming from both these environments, it is imperative that the public procurement regime in the province must have specific institution to oversee procurements, adequate independent control and audit mechanism, proper balance between the financial audit and the performance audit and internal control mechanism in procuring agencies.

In Pakistan current procurement regime started functioning in 2002 when Government of Pakistan created PPRA at Federal level through a presidential ordinance. The system was strengthened by adding Public Procurement Rules 2004 and Public Procurement Regulations 2008. The Punjab Province adopted the system in 2007 through an ordinance which was under the same nomenclature was converted into an Act 2009. Punjab Procurement Rules 2009 (PPR-09) were also notified in the same year to beef-up the procurement system in the province. The enforcement of Law / Rules however remained passive due to absence of proper office of Punjab Procurement Regulatory Authority. The enforcement of any Law / Rule requires its proper awareness and orientation. In order to achieve this, an extensive capacity building programme has been launched ambitting all the Public Sector Organizations down to Town Municipal Administration level. A high power committee under the Chairpersonship of Additional Chief Secretary, Punjab has been constituted to revisit the Public Procurement Laws /

Rules so as to bring them in conformity with the Public Sector Organization's Requirements without straying from the International best practices. New procurement related Rules / Documents are under consideration such as Procurement Regulations, Code of Ethics for Public Procurement, Public Procurement Consultancy Service Rules, Standard Bidding Document and Contract Agreement. In order to facilitate the procuring agencies, procurement checklist, Standard Tender and Specification format have been made available on PPRA website.

Increased expenditure and quantum of procurement has created an opportunity for corruption and waste public procurement. In order to vitiate and minimize the chances of the malpractices availability of detailed Regulations and Rules is must. Since formulation of such documents required special expertise and subject related knowledge, hence services of consultant are being hired to prepare required Regulation, Rules etc.

The main focus of these Laws would be to ensure transparency effectiveness through efficiency and accountability as the same is key inducement to individual and instructional probity, a key deterrent to collusion and corruption, and a key pre-requisite for procurement credibility. The salient features of the current procurement system include a regulatory body mandated to monitor the public procurement activities, legal framework elaborating a mechanism as well as procedure on public acquisition of goods, works and services by the public sector enterprises, establishment of grievance redressal / appeal mechanism exclusively for settlement of complaints on the contract management issue, a mechanism for wide dissemination of Government policy decision, procurement opportunities and results of evaluation exercises for award of contracts and regulatory arrangements for ensuring access to information on the public procurement system.



## CHAPTER-II: PPRA Financial Structure and Allocation of Funds

### ALLOCATION OF BUDGET FOR PPRA

The Punjab Procurement Regulatory Authority chapter was initiated through a project which with the promulgation of PPRA Act 2009 was converted into regular mode of funding through SNE. The Budget for F.Y. 2014-15 stands approved carrying 100 posts (21 post of officers and 79 posts of officials) with the budgetary allocation of Rs. 63.395 million. An amount of Rs. 40.806 million has been released for the 1<sup>st</sup> quarter with the following bifurcation: -

(Rs. In millions)

| Original Budget Approved for 2014-15 (Including Supplementary Grant) | Economy cut @ 15% on 3/4 of the Non-salary Budget | Budget allocation after 15% Economy cut | Budget released for 1 <sup>st</sup> quarter |  |                                 | Budget released for 2 <sup>nd</sup> quarter                | Total Budget released | Total Non salary budget released (50%) |
|--|---|---|---|--|---------------------------------|--|-----------------------|--|
|  |   |   | Salary (100%)                               | Non-Salary/ Operational components (25%) | Total (1 <sup>st</sup> Quarter) | Non-Salary/ Operational components (25%) after Economy cut |                       |  |
| 63.395   | 1.939   | 61.456                                  | 36.893                                      | 3.913                                    | 40.806                          | 3.656  | 44.462                | 7.569                                  |

## Chapter-III: PPRA Administrative Structure

All administrative matters of Punjab Procurement Regulatory Authority in term of Section 3 & Section 5 of PPRA Act 2009 are regulated through Board of Management (major decisions) and by Managing Director, PPRA. The PPRA administrative structure consists of BOM and Authority. The structure of BOM includes the following:



## PPRA BOARD OF MANAGEMENT

| Sr. No. | Name & Designation  | Status           |
|---------|---|------------------|
| 1.      | Chief Secretary to the Government<br>(Naved Akram Cheema)   | Chairperson      |
| 2.      | ACS/Secretary to Government of the Punjab,<br>Energy Department<br>(Jahanzeb Khan)                  | Member           |
| 3.      | Secretary to Government of the Punjab, Finance<br>Department<br>(Yousaf Khan)                       | Member           |
| 4.      | Secretary to Government of the Punjab, P&D<br>Department<br>(Waseem Ajmal)                          | Member           |
| 5.      | Secretary to Government of the Punjab, Health<br>Department<br>(Jawwad Rafique)                     | Member           |
| 6.      | Secretary to Government of the Punjab, Irrigation<br>Department<br>(Saif Anjum)                     | Member           |
| 7.      | <b><i>3 Members of Provincial Assembly</i></b>  | <b>Members</b>   |
| 8.      | i) MPA PP-268 Bahawalpur<br>(Mr. Qazi Adnan Fareed)   |                  |
| 9.      | ii) MPA PP-199 Multan<br>(Malik Muhammad Ali Khokhar)   |                  |
| 10.     | iii) MPA W-348<br>(Dr. Aisha Ghous Pasha)   | <b>Members</b>   |
| 11.     | <b><i>3 Members of Chamber of Commerce</i></b>  |                  |
| 12.     | i) Kh. Shahzaib Akram, LCC&I<br>ii) Sh. Muhammad Hafeez, RCC&I<br>iii) Kh. Mehboob-ur-Rehman, MCC&I |                  |
| 13.     | Managing Director<br>(Shahid Hussain)   | Secretary/Member |

# ORGANOGRAM

## Chapter-IV: Functions / Responsibilities of the Authority

Section 5 of the PPRA Act 2009 stipulates the following mandate and responsibilities of the Authority:-

- The Authority may take measures and exercise powers as may be necessary for improving governance, management, transparency, accountability and quality of public procurement;
- Monitor application of the laws, rules, regulations, policies and procedures in respect of, or relating to the public procurement;
- Monitor the implementation of and evaluate laws, rules, regulations policies and procedures in respect of, or relating to, inspection or quality of goods, services and works and recommend reformulation thereof or revisions therein as it deems necessary;
- Provide assistance and coordinate with the Procuring Agencies for developing and improving their institutional framework and public procurement activities;
- Prepare standard documents to be used in connection with public procurement;
- Recommend to the Government revisions in or formulation of new laws, rules and policies in respect of or related to public procurement;
- Make regulations and lay down codes of ethics and procedures for public procurement, inspection or quality of goods, services and works;
- Establish performance indicators for procurement performance of the Procuring Agencies and monitor compliance with these indicators through independent third party evaluation and make recommendations for improvement of procurement performance of the Procuring Agencies;
- Issue guidance and instructions regarding the interpretation and implementation of the Act, rules and regulations
- Present an annual report to the Government regarding the overall functioning of the public procurement system, including recommendations on measures to be taken by the Government to enhance the quality of procurement work;

- Call a functionary of a Procuring Agency to provide assistance in its functions and call for information from a Procuring Agency pursuant to its objectives and functions;
- Develop, promote and support training and professional development policy of officials and other persons engaged in public procurement;

And

- Perform other functions as may be assigned to it by the Government.

## Chapter-V: PPRA Performance during 2013-14.

Public procurement is a fundamental and integral part of the public financial management system and since it is always taken as a source to judge the creditability, efficiency and effectiveness of a Govt. in the paradigm of good governance, therefore it has to be used strategically for socio-economic development of the country / province. Procurement system under PPRA is a new initiative of the Punjab Province to ensure efficiency in procurement process to make it transparent and non-discriminatory and to fetch value for money by optimizing competition among suppliers / bidders. The new procurement regime is mandated to take such measures and exercise such powers as may be necessary for improving governance, management, transparency, accountability and quality of public procurement, prior to the introduction of procurement regime there was an acute dearth of transparency and fair play in procurement and contract administration ranging from the development of policy to the management of the functions. Dismal capacity in Procuring Agencies, Regulatory Authorities and Accountability Institutions hampered the efficiency, economy, transparency and accountability of the procurement system. The panacea to the ill, was the capacity building of the procurement entities in general and their functionaries in particular.

To vitiate the defects in the procurement system, PPRA from May 2012 onward, took the following initiatives:

- 1) Commencement of Capacity Building Programme: A comprehensive capacity building programme has been launched to enhance the capacity of the procurement entities and the employees by orientating them on new procurement Laws / Rules. So far seventy four (74) workshops have been conducted whereby around five thousand four hundred (5400) (approx.) Public functionaries have been educated/orientated on PPRA Law/Rules. This includes Twenty two (22) workshops in Management & Professional Development Department (MPDD). Twenty seven (27) institutions exclusive workshops in Punjab Education Foundation, GC University Lahore, C&W department, Urban Unit, CDG Lahore, Lahore Chamber of Commerce & Industry (LCCI), TEVTA, HUD & PHE, PVTC & ICMAP.
- Twenty five (25) workshops in the committee room of PPRA office which were attended by a good mix of officer of different Govt. Institutions, Administrative Department, Boards of Revenue, Commissioners, DCOs, AG Punjab, Education & Medical Universities, Hospital Administration, TMAs & Lahore High Court.
- Since major number of Department, Govt. Institution serves at Divisional/District level, hence, capacity building programme has been launched for public functionaries serving at Divisional/District level. A workshop in this regard was conducted at Faisalabad in March 2013 which was attended by almost 450 Officers of different Institutions in Faisalabad Division. PPRA Laws / Rules have also been made part of the training syllabus of fresh intake of Provincial Officers and financial management courses being conducted by different training institutions like MPDD. For General Public awareness specially private sector people, an awareness programme on PPRA Laws/Rules have been arranged in collaboration with NAB on FM 101 as a result of which workshops on public procurement rules are being arranged and conducted by private sector as well (by Institution of Tender Management).

Besides this two workshops at LCCI and one at ICMAP Lahore have been conducted for the awareness of 2<sup>nd</sup> player of procurement process (private sector) on PPRA Law/Rules.

The importance of PPRA Law/Rules has now fully been realized even by the defence institutions. A workshop for senior defence officers (Navy/Army) was also arranged by the Naval War College at Naval Complex, Askari 5 Main Road, Lahore which was attended by more than 70 officers of different defence institutions.

- 2) Framing of Checklist for Procurement and its Uploading on PPRA Website: A Checklist has been prepared and uploaded on PPRA Website to facilitate the Procuring agencies to ensure that they have performed all the required steps and procedure formalities as per PPRA Law / Rules while conducting the procurement for their Organization prior to grant approval of the procurement and payment. The Checklist where helps the procuring agencies to accomplish the procurement task in accordance with the legal requirements there, it also ensure that the PPRA Law / Rules are implemented virtually without any lapse. In addition to this Standard Tender and Specification format have also been made available to the procurement entities on the PPRA website. Certain formats like smart tender, procurement sequence etc are also available on PPRA site for the convenience of procuring agencies.
  
- 3) Establishment of a Procurement Portal: A Procurement Portal <http://ppra.punjab.gov.pk> has been established for the convenience of the procuring agencies to seek guidance and consult the procurement Laws/ Rules whenever needed while conducting the procurement. The procuring agencies in terms of Rules 12, 37 & 55 of the PPR-14 upload their adds for procurement, evaluation report of the bids and contract award respectively. This would ensure transparency in the procurement system. The portal though tab of FAQ (Frequently Asked Question) also provide quick advice to procuring agencies.

- 4) Allotment of Usernames and Password to all Public Sector Organizations: All the Public Sector Organizations ranging from provincial level down to Town Municipal Administrations (TMAs) have been allotted their usernames and password individually for using the PPRA website for their procurements related issues. This has facilitated them to upload their tenders and evaluation reports etc. A great deal of economy and efficiency has been achieved in this way. Only on account of tender advertisement more than Rs. 200.000 million have been saved by using the PPRA site for tender under Rs. 2.000 million during a short period of two years.
- 5) Availability of a Consultative Forum to advice on Procurement Issues: Frequent consultation is being provided to all the Public Sector Organizations on issues related with procurement. Besides verbal advices, assistance is being provided to them in formulation / preparation and vetting of their procurement documents such as Standard Bidding Document, Contract and Specifications.
- 6) Input Provided by PPRA to the Public Sector Organizations on PPRA Law / Rules: The Public Sector Organizations are faced with comprehension syndrome as to the PPRA Law / Rules. Public Sector Organization frequently approaches the PPRA Office for seeking advice on PPRA Law / Rules as they face difficulties to understand the new procurement system. The necessary assistance is being provided to the Public Sector Organizations. More than 200 meetings have been convened by different departments on procurement issues wherein PPRA was invited for technical/expert advices on PPRA law/rules. Various meetings have been conducted with World Bank and advisory group on procurement. The advisory Group includes members from all the five PPRAs and relevant departments. The forum has been established to harmonize the procurement process & system in the country. PPRA is also contributing its role by interpreting the procurement Laws and advising the higher authorities on

procurements. During the two years 2013 & 2014 around one hundred and sixty five (165) advices have been given on summaries for Chief Minister initiated by different Administrative Departments / Procuring Agencies.

7) Removal of Difficulties: A high-powered Committee has been established under the chairpersonship of Additional Chief Secretary, Punjab to revisit the PPRA Law / Rules so as to remove the difficulties and anomalies existed in the legislation. The Committee is also mandated to suggest amendments and change in the existing Law / Rules so as to conform them with the growing requirements of the public sector organization and international best practices.

8) Areas / Rules Frequently Violated by the Public Sector Organizations:  
The Public Sector Organizations, as a result of their capacity lapse and comprehension problem, commit violation of PPRA Rules while conducting the procurements. The violations are mostly committed in the following areas of Procurement: -

- Procurement Planning (Rule 8);
- Formulation of Specifications (Rule 10);
- Delegation of Powers to the downstream Officers to create procurement mechanism (Rule 11);
- Response Time (Rule 14);
- Prequalification of the Prospecting Bidders (Rule 16);
- Blacklisting of Suppliers and Contractors (Rule 21);
- Bid Security (Rule 27);
- Formulation of Evaluation Criteria (Rule 31);
- Rejection of Bids (Rule 35);
- Announcement of Evaluation Reports (Rule 37);
- Procedures for selection of contractors (Rule 38);



- Understanding of Difference between Emergency procurement and procurement in Urgency, Constitution of Grievance Redressal Committee (Rule 67);
- Publication of Evaluation / Bid and Award of Contract.

Necessary guidance and advices are being regularly doled out to the concerned procuring agencies and interventions are made to minimize the quantum of violation.

9) PPRA Rules 2014.

Prior to January 2014, the PPRA regime was functioning on the basis of PPRA Law/Rules formulated by Federal Government and replicated by the Punjab Government in 2007/2009. These rules have been found deficient of comprehension and were not user friendly. They in some of the areas were not responding to the international best practices. These rules were also vested with in built flaws which many a time created legal complications for the implementers. PPRA Punjab realizing the loops, inefficiency and infirmities embedded in the Law/Rules has formulated new Procurement Rules i.e. Punjab Procurement Rules 2014 (PPR-2014) repealing the earlier one i.e. PPRA Rules-2009. PPR-2014 have been formulated after detail consultation with the stakeholders and involved great deal of tailing. The difficulties faced by the implementers to great extent have been resolved by these rules. The documents have been greatly appreciated by other PPRA of Pakistan and it is because of the comprehensiveness of the new procurement rules that Federal PPRA with slide modifications is replicating these rules in Federal Government. Similarly these rules are being adopted partially by Balochistan and KPK PPRA as well. The newly framed PPRA rules not only resolve many procurement issues rather it also addresses the financial difficulties being faced by Public Sector Organizations on account of restrained financial setup. By way of introducing Framework Contract it is not only facilitating the procuring agencies to address the financial constrains rather it is also effectively achieving the PPRA legal objectives i.e.

economy, value for money and efficiency. Prior to the promulgation of new PPR-2014 the new procurement paradigm was embedded with a trust deficit of private sector with the public sector. PPR-2014 is equally providing facilities and mechanism to private sector to resolve their grievances and issues through grievances redressal mechanism and right to appeal etc. By introducing framework contract in Punjab Procurement Rule which is considered to be one of the most demanded procurement mechanism at international level and unique in Pakistan Procurement paradigm. It is worth mentioning that it is only the Punjab PPRA which is again preceding in new initiative for, currently none of the SAARC region countries in general and other PPRA in Pakistan in particular are practicing this though some of them are planning to adopt this mechanism. This also distinguish PPRA rules from other procurement legal frameworks. The PPR-2014 is a living document. It is meant to facilitate both the partners of Procurement Public/Private sector and is open to new amendments which makes them more users friendly. Five (05) new amendments have been introduced to facilitate practitioners and make the legal framework more comprehensive, effective and efficient.

#### CHAPTER-VI: New Initiatives / Way Forward

With the increase in the size of activities of the Government, the procurement which is considered to be the life line of the public sector functioning, and a source of creditability have also burgeoned in its outlay. Procurements are a cross functional activities that work in a multifaceted environment and as such is prone to corruption and collusiveness. In order to minimize the chances of malpractices and to facilitate the procuring agencies to conduct their procurement in uniform manner under a harmonized procurement environment, availability of relevant Rules/Regulations, Standard Bidding Documents etc. is very much essential. Finance Department has approved Rs. 1.000 million for hiring the services of Consultant for formulation of the procurement Rules concerning areas of Consultancy, Works,

Standard Bidding Document, Regulations and Code of ethics for public procurement to create a deterrence and accountability environment, for, accountability is key inducement to individual and institutional probity.

PPRA has also taken a footstep in precedence to other PPRA in Pakistan to ensure transparency information require by procuring agencies, quickness and effectiveness by launching the Procurement Management Information System (PMIS), a unique system in the Punjab and an initiative towards e-procurement. MIS are typically computer systems used for managing to manage their procurement effectively and efficiently. The six primary components of an MIS are: Hardware, Software, Firmware, Data (information for decision making), Procedures (design, development and documentation), and people (individuals, groups, or organizations). PMIS will capture the major features of procurement performance (procurement plans, invitation for bids, tender documents, evaluation and award summary and contract information, days from tender to award, number of bidders, final price versus bid price, nature of contracts, nature of bidders, contract completion times, kinds of procurement processes adopted, etc.) of major procuring agencies of targeted departments. The PMIS will immediately address the issue of lack of data and help measure the procurement performance of all the procuring agencies, market responses, and robustness of rules, and identify trends in public procurement. It would also serves as a key performance indicator for a public sector organization. The Punjab Procurement Regulatory Authority (PPRA), Government of Punjab, in collaboration with World Bank has developed PMIS system under Punjab Public Management Reform Program (PPMRP) with the aim to improve expenditure management. Currently PMIS is developed to address issue of missing data which help measure and evaluate procurement process, rules and trends. However it has provisions to integrate in full electronic procurement system (e-procurement) over time where most of processes will be carried out electronically without manual input. PMIS provides information that organizations require to manage themselves efficiently and effectively.