

PUNJAB PROCUREMENT
REGULATORY
AUTHORITY



ANNUAL REPORT 2012-13
(Since May, 2012)

PUNJAB PROCUREMENT REGULATORY AUTHORITY
ANNUAL REPORT 2012-13

CONTENTS

INTRODUCTION

EXECUTIVE SUMMARY

CHAPTER-I: Public Procurement Legal Framework

CHAPTER-II: PPRA Financial Structure and Allocation of Funds

CHAPTER-III: PPRA Administrative Structure

CHAPTER-IV: Functions / Responsibilities of the Authority

CHAPTER-V: PPRA Performance During 2012 & 2013

CHAPTER-VI: New Initiatives / Way forward.

RECOMMENDATIONS

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 (30% to 45%). 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 legislative3 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 and Rules 2009. The new system not only respond to the international best practices, rather it provides a harmonized procurement setup throughout the country.

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 require 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 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-I: PUBLIC PROCUREMENT LEGAL FRAMEWORK

Punjab Procurement Regulatory Authority Ordinance was initially promulgated in 2007 but it lapsed as the Provincial Assembly, Punjab did not pass it in the stipulated time of Four Months. A new Ordinance with the same nomenclature was promulgated in 2009 which was later on converted as Act after it was passed by the Provincial Assembly and assented by the Governor, Punjab in November, 2009. The Act is infact a replica of Federal PPRA Ordinance except with a few changes such as Addition in functions (Establishment of Performance Indicator for the procuring agencies, assistance of capacity building and preparation of Standard Documents for public procurement), A large Board of Management (13 members), and audit of the PPRA by a Chartered Accountant firm instead of Auditor General, Pakistan.

Some of the salient features of the Procurement Law / Rules are:

- a) Procurement Planning
 - b) Delegation of Powers to devise Procurement Mechanism
 - c) Procurement Advertisement
 - d) Prequalification, Qualification and Disqualification
 - e) Open Competitive Bidding
 - f) Different Procurement Procedures
 - g) Bid Opening and Evaluation System
 - h) Award of Contract
 - i) Redressal of Grievances Mechanism
 - j) Access to Information / Transparency
- And

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 to regular mode of funding through SNE. The Budget for 2013-14 stands approved carrying **46** posts (**08** post of officers and **38** posts of officials) with the budget allocation of Rs. **44.209** million. After imposition of **15%** economy cut on the non salary budget as per Govt. policy, actual allocation comes to Rs. **41.619** million. An amount of Rs. **30.615** million has been released for the 1st quarter with the following bifurcation: -

(Rs. In million)

Budget Approved for 2013-14	Budget released after 15% economy cut	Budget released for 1st quarter		
		Salary (100%)	Non-Salary/ Operational components (25%)	Total
44.209	41.619	26.942	3.673	30.615

Chapter-III: PPRA Administrative Structure

The first regular M.D was posted on 25.06.2009 who remained posted as such till 28.02.2011 (for about 20 months). Second regular M.D was posted on 27.04.2011. Board of management consisting of Thirteen (**13**) members including Chief Secretary as its chairperson was completed in December, 2011. Out of Thirteen members, Seven (**7**) members are from public sector (Administrative Secretaries), Three (**3**) from private sector nominated by Chambers of Commerce and Industries and Three (**3**) public representatives (members of Provincial Assembly). All the decision are made by the Board of Management through majority vote. Seven (**7**) members attendance constitute quorum for a meeting of the Board. First meeting of the Board of Management was conducted on 17.05.2012.

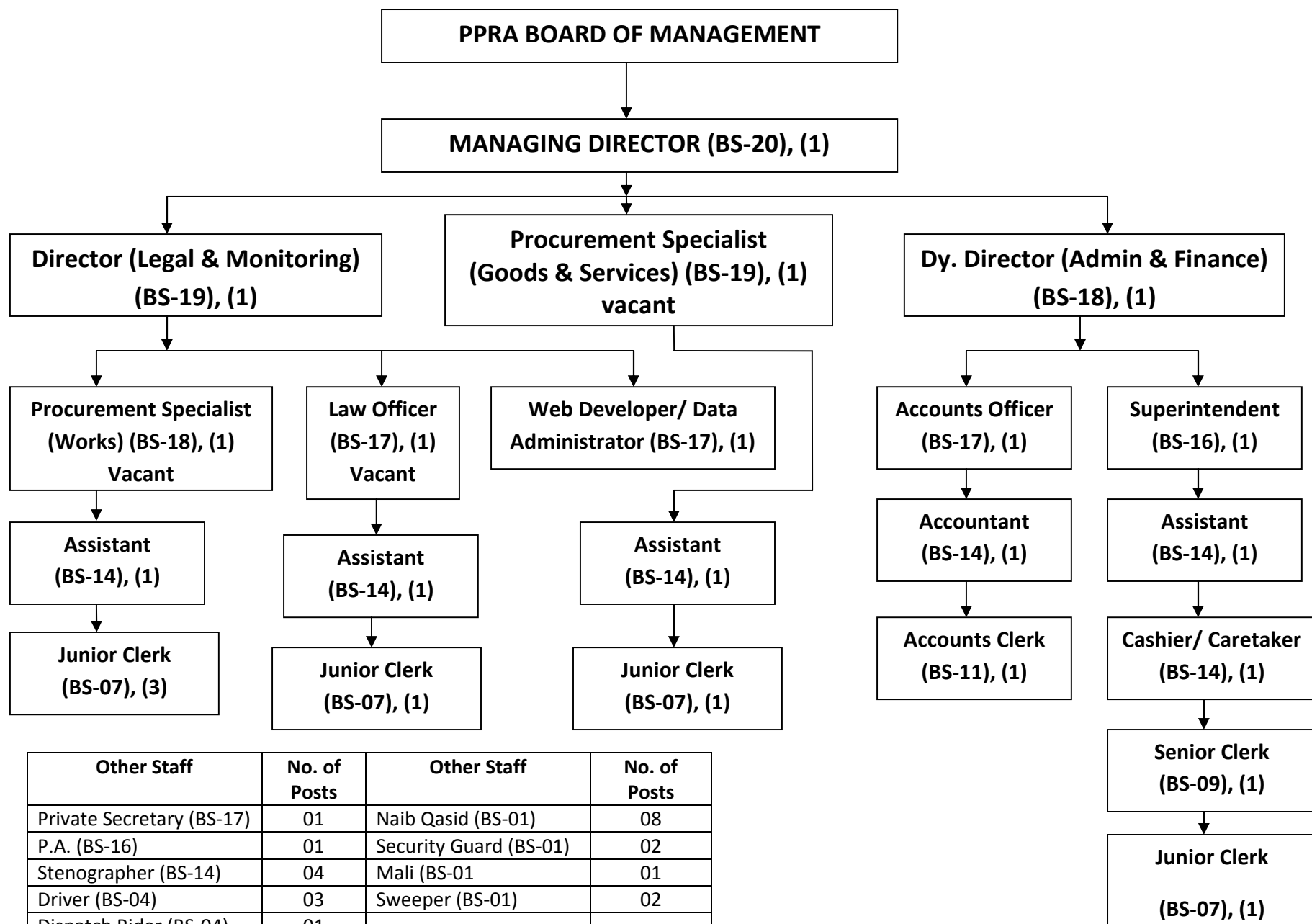
PPRA BOARD OF MANAGEMENT

Chief Secretary to the Government	Chairperson
Secretary to Government of the Punjab, Finance Department	Member
Secretary to Government of the Punjab, P&D Department	Member
Secretary to Government of the Punjab, Health Department	Member
Secretary to Government of the Punjab, Irrigation Department	Member
Secretary to Government of the Punjab, Energy Department	Member
<i>Three Members of Provincial Assembly of the Punjab nominated by the Government</i>	Members
Three Members from Chamber of Commerce and Industry nominated by the Government; and	Members
Managing Director	Secretary/Member

EXISTING STRUCTURE OF BOARD OF MANAGEMENT

Sr. No.	Name & Designation	Status
1.	Javaid Aslam Chief Secretary to the Government	Chairperson
2.	Jahanzeb Khan Secretary to Government of the Punjab, Finance Department	Member
3.	Arif Anwar Baloch Secretary to Government of the Punjab, P&D Department	Member
4.	Malik Hassan Iqbal Secretary to Government of the Punjab, Health Department	Member
5.	Mr. Zahid Saeed Secretary to Government of the Punjab, Irrigation Department	Member
6.	Mr. Usman Akhtar Bajwa Secretary to Government of the Punjab, Energy Department	Member
7.	<u>3 Members of Provincial Assembly</u> i) Mr. Qazi Adnan Fareed , MPA PP268 Bahawalpur	Members
8.	ii) Malik Muhammad Ali Khokhar , MPA PP199 Multan	
9.	iii) Dr. Aisha Ghous Pasha , MPA W-348	
10.	<u>3 Members of Chamber of Commerce</u> i) Kh. Shahzaib Akram , LCC&I	Members
11.	ii) Sh. Muhammad Hafeez , RCC&I	
12.	iii) Kh. Mehboob-ur-Rehman , MCC&I	
13.	Shahid Hussain Managing Director	Secretary/Member

ORGANOGRAME



Other Staff	No. of Posts	Other Staff	No. of Posts
Private Secretary (BS-17)	01	Naib Qasid (BS-01)	08
P.A. (BS-16)	01	Security Guard (BS-01)	02
Stenographer (BS-14)	04	Mali (BS-01)	01
Driver (BS-04)	03	Sweeper (BS-01)	02
Dispatch Rider (BS-04)	01		
Total No. of Posts			46

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 Since May 2012.

Public procurement is a fundamental and integral part of the public financial management system and 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 scale 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 hamper 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 Thirty six **(36)** workshops have been conducted whereby around one thousand four hundred **(1400)** (approx.) Public functionaries have been educated/orientated on PPRA Law/Rules. This include Nine **(9)** workshops in Management & Professional Development Department (MPDD).

Eleven **(11)** exclusive workshops in Punjab Education Foundation, Lahore Chamber of Commerce & Industry, TEVTA, HUD & PHE, PVTC & ICMAP.

Sixteen **(16)** 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 program 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. 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.

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.

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

- 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. 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.
- 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. 35 & 47 of the PPR-09 can also upload their adds for procurement, evaluation report of the bids and contract award respectively. This would ensure transparency in the procurement system.
- 4) **Allotment of Usernames and Password to all Public Sector Organizations:** All the Public Sector Organizations down to Town Municipal Administrations (TMAs) have been allotted their usernames and password individually for using the PPRA website for their procurements and related issues. This has facilitated them to upload their tenders etc. A great deal of economy and efficiency has been achieved in this way.
- 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 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 **89** meeting convened by different department on procurement issues have been attended by PPRA. **10** meetings has been conducted with World Bank and advisory group on procurement. The advisory Group include members from all the three PPRA and relevant department in Khyber Pukhtunkhawa (KPK) and Balochistan. 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. So far eighty five (**85**) advices have been given on summaries for Chief Minister initiated by different Administrative Departments.

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. The Committee so far has recommended seven effective amendments in PPRA-09. The case is under process for approval.

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 13);
- Prequalification of the Prospecting Bidders (Rule 15);
- Blacklisting of Suppliers and Contractors (Rule 19);
- Bid Security (Rule 25);
- Formulation of Evaluation Criteria (Rule 29);
- Announcement of Evaluation Reports (Rule 35);
- Selection of Relevant Procurement Procedures (Rule 36);
- Understanding of Difference between Emergency procurement and procurement in Urgency, Constitution of Grievance Redressal Committee (Rule 48);
- Publication of Evaluation / Bid and Award of Contract.

Necessary guidance and advices are being regularly doled out to the procuring agencies to minimize the quantum of violation. Public Sector Organization are also being helped in formulation of their Tender Notice, Bidding Documents and Contract / Agreement Drafts.

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, 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. 5.000 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.

RECOMMENDATIONS

In order to achieve the efficiency, transparency, economy and value for money, it is recommended that:-

- Punjab Procurement Regulatory Authority is required to be strengthened by providing staff and logistic support to deliver as per its mandate. Better pay structure and logistics support so as to have compatibility with other PPRAs i.e., Federal and Sindh and to ensure that the incumbents of the institution stay is the only solution. It would establish PPRAs as a live body to regulate the public procurement as per procurement Law/Rules.