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**No. L&M(PPRA)10-01/2011.**  
**GOVERNMENT OF THE PUNJAB**  
**PUNJAB PROCUREMENT REGULATORY AUTHORITY**  
**SERVICES AND GENERAL ADMINISTRATION**  
**DEPARTMENT**

304-T, 3<sup>rd</sup> Floor Al-Falah Building, The Mall Lahore.

Dated Lahore, the 29<sup>th</sup> July, 2020

**CIRCULAR**

**No. L&M(PPRA)10-1/2011.** Punjab Procurement Regulatory Authority (PPRA) is frequently being approached by different procuring agencies as well as by the private firm/contractors for seeking advice and clarification regarding the format of bid security/performance guarantee.

2. Bid security has been defined in rule-2(h) of Punjab Procurement Rules-2014 (PPR-14) which stipulates that "bid security means the bank guarantee or other form of security submitted by a bidder together with a bid to secure the obligations of the bidder participating in a bidding proceedings" similarly performance security has been defined under rule-2(w) of PPR-14 which defines that "performance guarantee means the bank guarantee or other form of security submitted by the contractor to secure obligations under the contract in accordance with the requirement in the bidding document".

3. A cursory reading of both definitions transpires that for bid security and performance guarantee, bank guarantee has been prescribed as the main modality. PPRA earlier vide circular dated 27.02.2020 and advices issued to Secretary Board of Intermediate and Secondary Education Lahore vide No. L&M(PPRA)1-16(SOC)(i)-AB/2014/KW dated 09.10.2019 and to Additional Inspector General of Police Punjab Lahore vide No. L&M(PPRA)1-17(G)(i)-AD/2020 dated 29.06.2020 has explicitly explained the true connotation of the ibid rules pertaining to bid security and performance guarantee and has opined in detail on the issue of

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encashment /deposit of CDRs in the account of the procuring agencies and their utilization by the procuring agencies.

4. It is reiterated for the convenience of all that since principal form of security for bid and performance has been defined as bank guarantee in the ibid rules hence this would be the primary mode unless the bidder is inclined to submit it in any other format i.e. CDR or bank's cheque. Preferring bank guarantee over CDR or banker's cheque is backed up by a cogent rational. Rule-4 of PPR-14 require the procuring agency to be economical. Similarly financial prudence demand that all public functionaries while spending public money must exhibit the prudence which they display while spending their own money. Since in case of CDR or bankers cheque as security the bidder's finances are involved upfront which deprive them of the opportunity cost which they otherwise can avail by utilizing the security amount hence to balance and compensate they include such cost in their financial bid raising the financial quantum of competition. This where hit the principle of economy there it also controverts the principle of financial prudence. In order to fend off this exodus, asking and accepting bank guarantee is the plausible discourse. Since by having the security for bid or fulfillment of contractual obligations involves the financial stake of the bidder/contractor which by taking bank guarantee is equally fulfilled as bank is standing and making itself responsible for any defection on the part of bidder/contractor therefore, to obviate other resultant immodalities, bank guarantee must be preferred over CDR/banker's cheque. It is also re-stressed that insurance guarantee will not be accepted and entertained for aforementioned securities.

5. It is further apprised and intimated that all securities with reference to procurement modalities when submitted by the bidders or contractors since are a trust given in the custody of the procuring agencies their encashment or their further credit in the procuring agency account not only controvert the Islamic Principles of

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trust as is being practiced by banks rather is against the financial code of conduct as provided by Punjab Financial Rules (PFR). Moreover, in case of spending the securities amounts on procuring agency's different expenditures creates financial liability for the Govt. which may on default of releasing the said securities lead to legal complication and inquiries. It will not be out of place to mention that Govt. is extremely conscious and always take the precautions to obviate the chances of becoming victim of any such liability and that is the reason why Govt. has established separate pension funds segregating it from account one so that it may not default in laying off financial liability while paying and releasing the pension to the retired Govt. servants.

6. In the wake of above and in view of legal requirement all procuring agencies are advised to always demand bank guarantee instead of CDR/ banker's cheque and better refrain depositing and encashing the securities and utilizing amount of securities through their accounts.

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**(SHAHID HUSSAIN)**  
Managing Director, PPRA

**Cc:-**

1. The Chairman, Planning & Development Board.
2. The Senior Member, Board of Revenue, Punjab.
3. The Inspector General of Police, Punjab.
4. The Accountant General, Punjab.
5. All the Administrative Secretaries, Government of the Punjab.
6. All the Divisional Commissioners, Government of the Punjab.
7. All the Head of Attached Departments.
8. All the Head of Autonomous Bodies Punjab.
9. Director General NAB Lahore.
10. Director General Anti-Corruption, Punjab.
11. The Registrar, Lahore High Court Lahore.
12. All the Deputy Commissioner, Punjab.
13. Web Developer/Data Administrator, with the direction to immediately upload the same on the website of PPRA.
14. PA to MD, PPRA.

  
**Director (Legal & Monitoring)**  
PPRA S&GAD 29-07-XX