The Public Procurement System in Pakistan: A Critical Analysis

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Abstract
This research paper aims to provide a comprehensive understanding of the public procurement system in Pakistan and explore contemporary electronic/online procurement methods to enhance transparency. The study employs a two-fold approach: initially showcasing the existing procurement landscape in Pakistan and subsequently proposing modern approaches for implementing a transparent electronic procurement system. A thorough literature review is conducted, incorporating publications, journal articles, government documents, regulations, laws, news articles, webpages, and a dissertation related to public procurement. The analysis extends to incorporate lessons learned from the procurement experiences of other countries, offering valuable insights for potential improvements in Pakistan's public procurement system. Using a conceptual analysis technique, the current tendencies and progress in procurement practices within Pakistan's public sector are extensively elucidated. The findings of this study contribute significantly to the understanding of the public procurement system in Pakistan, highlighting both its strengths and areas requiring improvement. Moreover, the proposed electronic procurement system, informed by international experiences, serves as a practical solution to ensure transparency, efficiency, and compliance within the public sector. This research paves the way for future studies and policy recommendations that can enhance procurement practices and ultimately foster sustainable development in Pakistan.

Keywords: Public procurement; electronic procurement system; procurement practices; Pakistani procurement system

Introduction
Public procurement is the process of purchasing products or services through an administrative unit to provide public services, such as education, defense, infrastructure, and health (Ambe, 2016). The public procurement process consists of several steps, including assessing needs, awarding contracts, managing contracts, and making payments (Ambe, 2016). Furthermore, the public procurement process involves acquiring resources like building, design, and consultation, which are essential since the primary funding source for public projects is tax revenue (Yoon, 2023).

According to Thai (2001), the government engages in four main economic activities: establishing the legal framework, disbursing revenue, providing public goods and services, and purchasing goods, services, and capital assets. Public procurement is both a strategic tool and a means for implementing policies for socioeconomic development and transformation (Turley & Perera, 2014). With increasing scrutiny and rapid change due to technology, program reviews, and political expectations, public procurement plays a vital role in improving the quality and efficiency of public services (Eyaa & Oluka, 2011; Pirvu & Stanciu-Tolea, 2014).

Given the significant portion of public resources consumed by procurement, the process must be conducted in an accountable, transparent, and well-managed manner to ensure high-quality service delivery and protect the public interest (Frøystad et al., 2010). Public procurement is also used to achieve social policy goals, such as promoting employment, fair labor standards, and preventing discrimination (Uyarra & Flanagan, 2009). For the public
procurement process to be efficient, several guiding principles must be followed, including value for money, economy, transparency, quality of products and services, and fair competition. Pakistan ranks 124th out of 180 countries in terms of corruption, with public contract management and procurement being major areas where corruption is found (Fazekas & Kocsis, 2020). Cartels of vendors may form due to flaws in public procurement regulations, leading to lower prices and facilitating unethical behavior. Increased spending and procurement volume heighten the risk of fraud, misuse of public money, and other transparency-related issues. Transparency and accountability in the public procurement system require a favorable setting, a well-established framework, administrative capacity, and a legal framework (Ali et al., 2021).

The aims of this study are twofold: firstly, to showcase the current public procurement system in Pakistan, and secondly, to propose contemporary approaches for integrating an electronic or online procurement system that enhances transparency.

The current research is structured into some diverse sections with the aim of providing a systematic examination of the public procurement system in Pakistan. The introduction section provides an overview of the nature of the public procurement system, stressing the imperative to incorporate several new guiding principles to strengthen the procurement system in Pakistan. In the methodology section, the employed research design is described, encompassing the scrupulous selection of pertinent literature review documents and lessons learned from other countries. Subsequently, a comprehensive explanation of the public procurement system in Pakistan and its key issues is presented in the ensuing section. The results section entails the presentation of findings derived from rigorous data analysis conducted within the scope of this research study. Lastly, the conclusion section summarizes the key findings and their implications. Furthermore, the study acknowledges its limitations and puts forth recommendations for future research.

**Methodology**

This research employs a comprehensive literature review, encompassing publications, journal articles, government documents, regulations, laws, news articles, webpages, and a dissertation within the realm of public procurement. A conceptual analysis approach is utilized to extensively elucidate the current tendencies and progress in procurement practices within Pakistan's public sector. Furthermore, the study also incorporates lessons learned from the procurement experiences of other countries, enriching the understanding of diverse international practices and offering valuable insights for potential improvements in Pakistan's public procurement system.

**Procurement system in Pakistan**

In Pakistan, the Public Procurement Regulatory Authority (PPRA) is responsible for overseeing public procurement (Zaidi et al., 2019). Established under the Public Procurement Regulatory Authority Law 2002, the PPRA has the mandate to formulate rules and procedures for public sector organizations' procurements. The Public Procurement Regulations were introduced and implemented in 2004, with the aim of promoting transparency, fairness to suppliers, and accountability in public sector procurement. Despite having established procurement regulations, the PPRA has not yet formulated regulations for sustainable public purchases (Zaidi et al., 2019).

The PPRA Ordinance serves as the primary law governing public procurement, while the PP Regulations function as subordinate legislation. Provincial PPRAs were subject to the federal government's 2004 PP Rules. Due to Pakistan's diverse provincial government systems, PPRAs (at both federal and provincial levels) possess the authority to modify regulations and develop procurement-related manuals and documents.

**Key laws and policies under the PPRA for processing public procurement in Pakistan include the following:**

1. Procuring agencies must ensure the procurement process is efficient, financially beneficial, and transparent.
2. All correspondence and documentation related to federal government procurements must be in English, Urdu, or both. Local languages can be used in addition to Urdu or English in certain cases.
3. Procuring agencies may use e-procurement processes according to the Authority's prescribed rules or guidelines.
4. Agencies must develop a mechanism for detailed procurement planning within one year of the rules' commencement.
5. Specifications must not favor any single contractor or supplier and should promote fair competition.
6. Terms and specifications must be generic in nature and avoid references to branded products, model numbers, or countries of origin.
7. Procuring agencies must define their authority and delegate it for each procurement category, initiating procurement processes only after receiving approval from relevant authorities.
8. Advertisements for procurements valued between 500,000 and three million Pakistani Rupees must be posted on the Authority's website, with optional print media advertising.
9. Response times for accepting proposals or bids vary based on procurement complexity, accessibility, and urgency, with minimum response times specified for national and international competitive bidding.
10. Pre-qualification of tenderers may be used for specific types of procurement to ensure only competent and financially capable firms participate.
11. Suppliers or bidders found to have provided false, significantly incorrect, or incomplete information regarding their qualifications may be disqualified.
12. Procuring agencies must develop a comprehensive procedure for blacklisting and barring bidders for specified periods in accordance with the Authority's requirements.
13. Procuring agencies play a vital role in ensuring that the procurement process is conducted efficiently, with financial benefits and transparency. They are responsible for overseeing the acquisition of goods, and services, and work on behalf of the federal government. To achieve these goals, it is crucial for agencies to adhere to certain guidelines and regulations. When it comes to correspondence and documentation related to federal government procurements, it is required that they be in either English, Urdu, or both. In some cases, local languages may also be used in addition to Urdu or English. This allows for effective communication and comprehension among all parties involved.

In today's digital age, procuring agencies are encouraged to embrace e-procurement processes, provided they follow the prescribed rules and guidelines set forth by the relevant authority. This allows for the use of electronic platforms and technologies to streamline the procurement process, making it more efficient and accessible. To ensure proper planning and execution of procurements, agencies must develop a mechanism for detailed procurement planning within one year of the rules' commencement. This enables a structured approach to be followed, ensuring that all necessary steps and considerations are taken into account before initiating the procurement process.

One crucial aspect of the procurement process is the establishment of fair competition. Specifications must be designed in a manner that does not favor any single contractor or supplier. The aim is to promote fair and open competition among qualified entities, encouraging transparency and equal opportunities for all potential bidders. In order to promote fairness and avoid bias, terms and specifications should be generic in nature, avoiding any references to branded products, model numbers, or countries of origin. This helps to level the playing field, ensuring that all suppliers and contractors have an equal chance to participate in the procurement process, regardless of their affiliations or origins.

Procuring agencies must define their authority and delegate it to each procurement category. They are required to initiate procurement processes only after receiving approval from the relevant authorities. This ensures that the procurement process is conducted within the defined boundaries of authority, preventing any potential misuse or unauthorized actions.

To ensure maximum exposure and reach, advertisements for procurements falling within the range of 500,000 to three million Pakistani Rupees must be posted on the Authority's website. There is also the option to include print media advertising. This wider reach allows for increased competition and ensures that potential bidders are aware of the opportunities available. Response times for accepting proposals or bids may vary based on factors such as the complexity of the procurement, accessibility, and urgency. Minimum response times are specified for national and international competitive bidding, ensuring that bidders have adequate time to prepare and submit their proposals. In certain cases, pre-qualification of tenderers may be used to ensure that only competent and financially capable firms participate. This helps to streamline the evaluation process and mitigate risks associated with the selection of unqualified bidders.

Lastly, procuring agencies must establish a comprehensive procedure for blacklisting and barring bidders for specified periods in accordance with the requirements set by the relevant authority. This serves as a deterrent against dishonest practices and ensures that only reputable and trustworthy entities are involved in government procurements.
The Public Procurement Regulatory Authority (PPRA) plays a crucial role in overseeing and regulating public procurement in Pakistan. Established to promote transparency, fairness, and accountability in public sector procurement, the PPRA has introduced various laws and policies to streamline the procurement process. These regulations encompass the need for efficiency, financial benefits, transparent and fair competition, and the utilization of e-procurement methods. Despite these efforts, sustainable public procurement regulations have yet to be formulated. As public procurement accounts for a significant portion of national spending, ensuring a transparent, accountable, and well-managed procurement process is vital for effective public service delivery and safeguarding the public interest. Moving forward, it is essential for Pakistan to further strengthen its public procurement system by addressing existing gaps and learning from best practices in other countries to enhance the overall efficiency and effectiveness of public spending.

**Key issues in Public Procurement in Pakistan**

Public procurement in Pakistan plays a significant role in the country's economic development and has a considerable impact on government expenditure. However, the procurement system faces various challenges that hinder its efficiency and effectiveness. This comprehensive note highlights some of the key issues in public procurement in Pakistan, with in-text citations for reference.

1. **Weak legal and regulatory framework**: Pakistan's public procurement system is governed by the Public Procurement Regulatory Authority (PPRA), which was established in 2002 (Zaidi et al., 2019). Although the PPRA has developed procurement regulations for public sector purchases, it has not yet established regulations for sustainable public purchases, which may hinder the country's progress towards sustainable development (Zaidi et al., 2019).

2. **Lack of transparency and accountability**: Transparency and accountability are essential elements of an effective procurement system. However, the public procurement process in Pakistan has been criticized for its lack of transparency and accountability, which can lead to corruption and misuse of public funds (Ali et al., 2021). This problem can be addressed by strengthening the procurement monitoring mechanisms and implementing e-procurement systems that ensure transparency and prevent corruption.

3. **Limited capacity and expertise**: Procurement professionals in Pakistan often lack the necessary skills and knowledge to effectively implement procurement rules and regulations (Ali et al., 2021). This can result in inefficient procurement processes and suboptimal contract management. Capacity-building initiatives, such as training programs and workshops, can help address this issue by equipping procurement professionals with the necessary skills and knowledge.

4. **Barriers to fair competition**: Fair competition is crucial for achieving the best value for money in public procurement. However, the public procurement process in Pakistan has been criticized for creating barriers to entry, particularly for small and medium-sized enterprises (SMEs) (Pickernell et al., 2011). To promote fair competition, procurement specifications should be generic and non-discriminatory, and equal opportunities should be provided for all suppliers.

5. **Inefficient procurement processes**: The public procurement process in Pakistan is often characterized by lengthy and complex procedures that can result in delays and increased costs (Ali et al., 2021). Streamlining the procurement process and implementing e-procurement systems can help improve efficiency and reduce procurement cycle times.

6. **Insufficient monitoring and evaluation**: Monitoring and evaluation are essential components of an effective public procurement system. However, Pakistan's public procurement system lacks a comprehensive monitoring and evaluation mechanism, which makes it difficult to assess the performance of the procurement process and identify areas for improvement (Ali et al., 2021). Establishing a robust monitoring and evaluation framework can help address this issue.

Addressing the key issues in public procurement in Pakistan requires a multi-pronged approach that includes strengthening the legal and regulatory framework, enhancing transparency and accountability, building capacity and expertise, promoting fair competition, streamlining procurement processes, and implementing robust monitoring and evaluation mechanisms. By
addressing these challenges, Pakistan can develop a more effective and efficient public procurement system that contributes to the country's overall socioeconomic development.

**Lessons Learned from Other Countries**

In the quest for improving public procurement practices and ensuring transparency, it is essential to draw upon the experiences of other countries that have successfully implemented innovative approaches and best practices. This section, "Lessons Learned from Other Countries," aims to provide insights into the successes, challenges, and strategies employed by various nations in their public procurement systems. By examining these international experiences, we can identify valuable lessons and potentially adopt or adapt relevant policies and procedures to enhance the effectiveness and efficiency of Pakistan's public procurement system.

**United States:** Public procurement has historically been a neglected topic of research interest by academicians, despite the fact that government organizations and professional organizations for public procurement have issued several procurement publications and training books. Realizing the value of academic research, NIGP entered into a collaboration arrangement with Florida Atlantic University's Faculty of Architecture, Urban and Public Affairs in 1999, launching a number of academic activities. This agreement led to the establishment of the Public Procurement Research Center in 2000 (Carter & Grimm, 2001), the writing of the texts for fourteen academic books in the field of public procurement, the publication of a special symposium on public procurement in two consecutive issues of the Journal of Public Budgeting, Accounting & Financial Management (Volume 12, Issues 2 and 3, 2000), and most notably, the launch of the first academic journal.

In the United States, laws (existing procurement regulations and policies), as well as authorization and appropriations of programs leading to procurements are the main ways that the legislative branch, whether it be Congress, a state legislature, a local council, or a board of commissioners or directors, influence public procurement systems. Additionally, when dealing with large organizations, the legislative branch might have a "watchdog" agency (like the General Accounting Office (GAO) of the US federal government or the Department of Inspector General of the Central Florida Water Management District) that conducts audits and investigations into the management and operations of the agency, including public procurement. The executive branch, comprising the president, governorship, mayor, or city officials, has wide technical and administrative procurement responsibilities and makes decisions regarding procurement policy (Thai, 2001).

**United Kingdom**

The maximization of value for money (VFM) is crucial to the procurement policy of the United Kingdom. Moreover, VFM relates to competitiveness and shows that public expenditures are completed economically and efficiently. In the UK, small and medium-sized businesses regularly participate in government procurement, which helps to increase VFM (Murray, 2014). The focus is on removing the possibility that small and medium-sized enterprises may suffer because, in comparison to large businesses, they lack knowledge on bidding when participating in the industry for public procurement. Public institutions instantly execute participation programs aimed at promoting the involvement of small and medium-sized enterprises. The procurement agreement of the United Kingdom government is an obligatory document that guarantees equal treatment of all suppliers for both small and medium-sized businesses in the community by local governments (Pickernell et al., 2011).

**South Africa**

In the South African context, preferentially procurement happens in accordance with the Broad-Based Black Economic Empowerment (B-BBEE) score of enterprises, which takes into account the extent to which corporations contract vendors with high B-BBEE ratings. This aims to shift both the demographics and the structural makeup of South Africa's economy through a cascading impact. Beyond furthering social goals, "procurement in Southern Africa is also focused on producing employment opportunities and building local manufacturing capability, among several other green and inclusive growth priorities" (Turley & Perera, 2014). This is clear from the National Department of Commerce and Industry's "local content" policy, which mandates that a certain amount of the cost of public bids must be made up of "local content"(Klaaren & Brunette, 2020).

**India**

Many reform measures, including the most recent GFRs 2017, have been made to simplify the Indian public procurement process in recent years. The Ministry of
Finance released updated manuals for the purchase of products and services in May 2017 in compliance with the GFRs 2017, and the ministry is preparing to produce an updated handbook for work procurement. These programs demonstrate India's efforts to advance a regime of open, responsible, and competitive public procurement. The World Bank (2016) analysis also demonstrates that India's public procurement structure has made notable strides in recent years toward a transparent regime. The system has struggled to establish the highest standards necessary to compete with nations like Australia and Singapore. The government must work harder to increase the procurement system’s accountability, transparency, and competitiveness (Hazarika & Jena, 2017).

China

In China, initiatives supported by fiscal funds give preference to purchasing energy-efficient and environmentally friendly products while phasing out low-efficiency ones [9]. For items that meet the requirements for energy-saving impacts and performances, mandatory procurement is put in place (Xu et al., 2016). The Views on Implementation of Government Procurement Energy-Saving Goods are one example of a Chinese policy that specifies clear and practical requirements for items that save energy and are environmentally beneficial. Several policies, including those supporting SME consortium subcontracting, equitable rights, reserving shares, reviewing preferences, and educating SMEs, have been developed in China (Grandia, 2015). Moreover, China offers support measures such as credit guarantees, performance bonds, payment due dates, and payment procedures (Cardoza et al., 2015).

Public procurement in China has concentrated on accomplishing the state's policy objectives for growth in the economy and society, particularly the safeguarding of important home industries. The government has established mandatory purchases (in some areas), a minimum procurement share, and prioritized procurement for local items in fiscal funding programs (Bo et al., 2012). China has stopped executing several policy papers that are at odds with the GPA and, in response, has developed some policies that are compliant with it (Liu et al., 2017).

Findings

To ensure that public procurement in Pakistan effectively serves its purpose, it is vital to address the identified challenges and implement reforms that promote accountability, transparency, and competition. By learning from the experiences of other countries and incorporating best practices, Pakistan can improve its public procurement system, ultimately leading to better utilization of public funds, enhanced service delivery, and increased public trust in government institutions. The path to progress may be arduous, but with concerted efforts from policymakers, procurement professionals, and relevant stakeholders, a more effective and efficient public procurement system can be achieved, ensuring the sustainable development of Pakistan.

It is essential to develop a legal and structured framework that evidently outlines the rules, guidelines, and measures for public procurement. The mentioned framework would be inclusive, transparent, and allied with international standards. By developing a vigorous legal and structured framework it will become easier to certify accountability and avert corruption in the procurement department.

Furthermore, the efficiency of public procurement can be considerably increased and streamlined by using technology. Implementing electronic procurement solutions, such as e-tendering and e-procurement platforms, can automate and simplify several stages of the procurement process, cutting down on paperwork, eradicating manual errors, and improving transparency. Technology can also make it easier to track and assess procurement-related operations by enabling real-time data analysis and performance review.

Conclusion

This research paper has thoroughly examined the current state of public procurement in Pakistan, highlighting the challenges faced in terms of transparency, efficiency, and sustainability. By conducting a comprehensive review of existing literature and analyzing the legal and regulatory frameworks governing public procurement in Pakistan, the study has identified areas that require improvement and reform. Furthermore, the paper has drawn upon the lessons learned from other countries, showcasing successful public procurement practices and strategies that have led to greater transparency, efficiency, and socioeconomic development. These international experiences offer valuable insights that can be adopted or adapted to enhance Pakistan's public procurement system.

Recommendations

Based on the research findings, the following recommendations are proposed to improve the public procurement system in Pakistan:
Strengthening the legal and regulatory framework: The government should review and update the existing legal and regulatory framework to address the identified gaps and challenges. This includes incorporating provisions for sustainable procurement and promoting social policy goals, such as job creation, fair labor standards, and support for minority groups.

Enhancing transparency and accountability: The government should invest in developing mechanisms that promote transparency and accountability throughout the procurement process. This may include establishing a centralized online procurement platform that allows for real-time tracking of procurement activities, accessible to both suppliers and the public.

Building capacity and training: Procurement professionals should be equipped with the necessary skills and knowledge to effectively implement the procurement rules and regulations. The government should invest in capacity-building initiatives, such as training programs, workshops, and seminars, focusing on best practices and lessons learned from other countries.

Encouraging fair competition: The government should adopt measures that promote fair competition among suppliers, such as providing equal opportunities for small and medium-sized enterprises (SMEs) and ensuring that procurement specifications are generic and non-discriminatory.

Implementing e-procurement: The government should invest in developing a robust, user-friendly e-procurement system that streamlines the procurement process, reduces paperwork, and enhances transparency. By enabling online submission of bids, contract management, and payment, the e-procurement system can also help reduce corruption and improve efficiency.

Fostering public-private partnerships (PPPs): The government should encourage PPPs to leverage private sector expertise, innovation, and resources in the delivery of public services. By engaging the private sector in public procurement projects, the government can improve the quality and cost-effectiveness of public services.

Monitoring and evaluation: A comprehensive monitoring and evaluation mechanism should be established to regularly assess the performance of the public procurement system. This mechanism should include periodic audits and performance evaluations, which can help identify areas for improvement and ensure that procurement activities align with national goals and priorities.

Raising public awareness: The government should undertake awareness campaigns to inform citizens about the procurement process, their rights, and the role of public procurement in national development. Increased public awareness can enhance transparency and accountability, as well as foster public trust in government institutions.

By implementing these recommendations, Pakistan can develop a more effective and efficient public procurement system that benefits all stakeholders, promotes sustainable development, and contributes to the country's overall socioeconomic progress.

While the recommendations outlined above can contribute to strengthening public procurement in Pakistan, there are several limitations and challenges that should be considered. Institutional capacity: For implementation to be successful, institutions and procurement officials must be given more training. However, the availability of sufficient training programs and chances for professional growth may be hampered by a lack of resources, including both financial and human resources.

Technological infrastructure: While employing technology can increase effectiveness and transparency, some areas of Pakistan may struggle to have access to reliable technological infrastructure, such as internet connectivity. This might reduce the efficiency of real-time tracking tools and electronic procurement systems.

Financial constraints: For the execution of reforms, sufficient budgetary funding for public procurement is required. However, a lack of funding may make it difficult to invest in technology adoption, capacity building, and the creation of oversight mechanisms.

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References


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