



14<sup>th</sup> October, 2010

Chairperson,  
Karachi Port Trust,  
Karachi.

Chairman,  
Port Qasim Authority,  
Karachi.

**Subject: Complaint on denial of margin of preference for Domestic Preference**

Dear Sirs,

TI Pakistan has been approached by domestic manufacturers, that PQA and KPT are not following allowing Domestic preference in your tenders.

There are reasons to allow domestic preference for manufacturer, to promote indigenous manufacturing industry. Public Procurement Rules 2004, Rule No 24 (2) therefore states following provisions;

**24 Reservations and preference.**- (2) Procuring agencies shall allow for a preference to domestic or national suppliers or contractors in accordance with the policies of the Federal Government. The magnitude of price preference to be accorded shall be clearly mentioned in the bidding documents under the bid evaluation criteria.

Kindly note that PPRA Notification 2008 also makes it mandatory on all federal government procuring agencies to use Standard form of Bidding Documents for Procurement of Works (electrical & mechanical) Harmonized with PPRA Rules available on PPRA and PEC websites. The relevant portion from this document is quoted for ready reference.

We also refer to the following proviso of S.R.O.827(1)/2001 issued on 13 December 2001, by the Ministry of Commerce, which are also to be complied with .

***3. Price preference to be accorded.*** – Only in cases of procurement by the government and in case of procurement by other public sector agencies, bidders tendering for



*engineering goods produced in Pakistan shall be accorded a price preference in rupees up to a specific percentage (in proportion to the value addition) of the lowest quoted landed cost of an item of foreign origin with similar specifications as mentioned in the tenders:*

*(1) Provided that –*

*(a) the saving in foreign exchange is not less than the amount of price preference : and*

*(b) it is ensured that in each case of such preference, the total import requirements for producing the supplies tendered for locally manufactured items has been duly indicated by the bidders.*

***“4A. Floating of International Tenders. –***

*(1) In case of international tenders (if floated), public sector enterprises and corporate entities will ask for FOR prices for proper comparisons with the locally manufactured products.*

*(2) In case of those international tenders, where the price is quoted on FOB basis the landed cost factor would be determined by a committee with members from Planning Commission (Financial Analyst), representative from Finance Division and nominee of finance section of the public sector enterprise or corporate entity buying the goods”*

To avoid Mis-Procurement under rule No 50, kindly ensure that all current tenders, as well as future tenders shall be prepared using Bidding Documents for Procurement of Works (electrical & mechanical) Harmonized with PPRA Rules, and if they are not, the tenders shall be postponed and addendum may be issued, which shall be on the prescribed SBD.

Yours sincerely,

  
Syed Adil Gilani  
Chairman

Copies forwarded for information of;

1. Chairman, PAC, Islamabad
2. Secretary, Ports & Shipping, Islamabad
3. Chairman, NAB, Islamabad
4. Mr. Tanwir Ali Agha, Auditor General Pakistan, Islamabad
5. Registrar, Supreme Court, Islamabad.
6. Managing Director, PPRA, Islamabad.

#### **IB.27. Domestic Preference**

- 27.1 In the comparison of evaluated Bids, the Goods manufactured in Pakistan, will be granted a margin of preference in accordance with the following procedures, provided the bidder shall have established to the satisfaction of Employer that the manufacturing cost of such Goods includes a domestic value addition equal to at least 20% of the ex-factory Bid price of such Goods. Bidders applying for domestic preference shall fill in Appendix C to these Instructions to substantiate their claim.
- 27.2 The Employer/Engineer, will first review the Bids to determine, the Bid group classification in accordance with Sub-Clause 10.2 hereof.
- 27.3 The comparison shall be Ex-factory price of the Goods to be offered from within Pakistan (such prices to include all costs as well as custom duties and taxes paid or payable on raw materials and components incorporated or to be incorporated in the Goods) and the DDP (CIF + Customs duty, sales tax and other import charges) Pakistan seaport price of the Goods to be offered from outside Pakistan.
- 27.4 The lowest evaluated bid of each Group shall first be determined by comparing all evaluated bids in each Group among themselves taking into account:
- (a) In the case of Goods manufactured in Pakistan, sales tax, local body charges and other similar taxes which will be payable on the furnished Goods in Pakistan.
  - (b) In the case of Goods of foreign origin offered from abroad, customs duties, sales tax and other import charges which will be payable on furnished Goods in Pakistan.
  - (c) In the case of Goods of foreign origin already located in Pakistan, customs duty, sales tax and import charges on CIF price as applicable for Sub-Clause 27.4(b) here above.
- 27.5 The price preference to Group A bids will be:
- (i) 15% of the ex-factory bid price, if the value addition through indigenous manufacturing is at least 20%;
  - (ii) 20% of the ex-factory bid price, if the value addition through indigenous manufacturing is over 20% and up to 30%; and
  - (iii) 25% of the ex-factory bid price, if the value addition through indigenous manufacturing is over 30%.