



ZAMBIA PUBLIC PROCUREMENT AUTHORITY

Stand No. 11790 SUB-J, Procurement House, Off Alick Nkhata Road, Longacres,
P.O. Box 31009, Lusaka- Zambia

OFFICE OF THE DIRECTOR GENERAL

Our Ref:

CIRCULAR NO. 5 OF 2021

15th October, 2021

To: All Permanent Secretaries
All Chief Executives of Parastatal and Statutory Bodies
All Town Clerks and Council Secretaries of Local Authorities

RE: PUBLICATION OF THE QUARTERLY MARKET PRICE INDEX AND PRICE REASONABLENESS ANALYSIS

The above caption refers and the Authority wishes to advise as follows:

1. Pursuant to Section 12 (3) of the Public Procurement Act No. 8 of 2020 (PPA), the Authority is required to issue a quarterly Market Price Index (MPI) to be used by a controlling officer, chief executive officer and procuring entity for purposes of an informed price decision. Further, section 12 (2) of PPA provides that a procuring entity shall procure standard goods, services and works in accordance with the price index issued by the Authority.
2. The Authority has commenced the publication of the MPI, accessible on the Authority's website (www.zppa.org.zm).
3. Procuring entities are advised to refer to the Average Prices from their respective provinces. However, where prices for a particular item(s) are not provided for in the respective province, the National Average Prices may be used. Procuring entities are required to ensure that the range of prices for goods, works or services are **plus or minus five percent ($\pm 5\%$)** of the prices in the market price index. The MPI shall be used during the following stages:
 - (a) budgeting;
 - (b) annual procurement planning; or
 - (c) bid/tender evaluation.
4. Further to the guidance provided in Clause 4 (h) of Zambia Public Procurement Authority (ZPPA) Circular No. 2 of 2021 and ZPPA Circular No. 4 of 2021, procuring entities are reminded to undertake price reasonableness analysis (subject to

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approval by the Authority) where an item to be procured is not covered in the quarterly MPI. The Authority has revised the guidelines and associated templates, attached as an **appendix** to this circular, that should be used, as appropriate, as procuring entities conduct price reasonableness analyses.

5. All procuring entities are reminded of the provisions of section 12 (5) of the PPA 2020 which provides that '*...An office holder who wilfully or negligently engages or is involved in a transaction in which standard goods, services and works are procured at an inflated price commits an offence...*'.
6. The Authority shall continuously review and update the MPI to ensure that goods, works or services that are commonly procured by procuring entities are covered in the index.
7. This circular supersedes the ZPPA Circular No. 4 of 2021.

All addressees are urged to ensure that the contents of this Circular are brought to the attention of all staff under their supervision.



Idah C. Chella (Mrs.)
DIRECTOR GENERAL

cc: The Secretary to Cabinet
Cabinet Office
LUSAKA

The Auditor General
Office of the Auditor General
LUSAKA

The Secretary to Treasury
Ministry of Finance
LUSAKA

The Principal Private Secretary
State House
LUSAKA

APPENDIX

1. Historical Price analysis

A Procuring Entity may use historical data for items not covered in the MPI to procure goods, works and services. The historical pricing must be supported by appropriate documentation (copies of purchase orders or invoices) and published notices by other procuring entities' web portals and other widely PE published contract prices/sums in print media. Further, the PE could consider using Consumer Price Indices (CPI) factors/rates prevailing, determine whether the price under scrutiny is fair and reasonable.

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Table 1 below summarises the analysis to be undertaken:

Table 1: Historical Price Reasonableness Analysis

S/No	A	B	C = (B-A)	D	E	F = B*(D/E)	G	H = (G-I)	I = (A-F)/F x100	J	K	L = (Kx A)	M
	Best Evaluated Bidder (BEB) Name & Description (Unit/Item price)	Historical unit/Item price and date of contract	Difference between Best Evaluated Bidder & historical prices	Consumer Price Index (CPI)- current month	Consumer Price Index (CPI)- Historical price's month	Historical price as adjusted by CPI	Budget Estimate	Budget Estimate variances with the contract sum	Percentage difference between best evaluated bidder price & adjusted historical price: within +/-5% of future contract	Explanation of the percentage difference of adjusted historical price and BEB price	Quantity to be procured	Contract sum/price	Recommendations
1	Name of BEB & Description of purchase Year/Month of Purchase	Description of purchase Historical Year & LPO No.											
	Unit Price offered	Historical Unit Price											
2	Name of BEB & Description of purchase Year/Month of Purchase	Description of purchase Historical Year & LPO No.											
	Unit Price offered	Historical Unit Price											

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Example of Historical price as adjusted by CPI

Historical Price (January 2019)	BEB Price (Year 2021)	CPI for the month (Jan) and year (2019) of historical price	Price adjusted = Historical Price * (CPI current month / CPI month of previous procurement)
8,000.00	10,000.00	2019 2021	219.27 299.73 10,935.56
			$= 8,000 * (299.73 / 219.27)$

2. Similar Procurements by other Procuring entities

When two or more procuring entities in the public sector have procured similar goods, works and services in the recent past or fiscal year and the lowest evaluated price was selected in accordance with the entity's budget estimates or annual procurement plan estimates, then the price of the best evaluated and lowest price can be concluded to be fair and reasonable. It is advised that the best evaluated price should be within the $\pm 5\%$ range of the future estimated contract sum.

Table 2 below summarises the analysis to be conducted:

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Table 2: Similar PE Price Reasonableness Analysis

S/No	A	B	C = (B-A)	D	E	F = B x (D/E)	G	H = (G-L)	I = (A-F)/Fx100	J	K	L = (K x A)	M
	Best Evaluated Bidder (BEB) Name & Description (Unit/item price)	Similar PE Unit price.	Difference between Best Evaluated Bidder (BEB) Price and Similar PE lowest bidder Price Paid	(CPI)-current month	(CPI)-Historical price's month	Similar PE unit price as adjusted by CPI	Budget Estimate	Budget Estimate variances with the contract sum	Percentage difference between best evaluated bidder price & adjusted similar PE price, within ±5% of future contract	Explanation of the percentage difference of adjusted historical price and BEB price	Quantity to be procured	Contract sum/price	Recommendations
1	Name of BEB & Description of purchase	Description of purchase											
	Year/Month of Purchase	Year of Similar PE purchase & LPO No.											
	Unit Price offered	Similar PE Unit Price											
2	Name of BEB & Description of purchase	Description of purchase											
	Year/Month of Purchase	Year of Similar PE purchase & LPO No.											
	Unit Price offered	Similar PE Unit Price											
3	Name of BEB & Description of purchase	Description of purchase											
	Year/Month of Purchase	Year of Similar PE purchase & LPO No.											
	Unit Price offered	Similar PE Unit Price											

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3. Comparison with Published Prices by Relevant Government Institutions

Certain public institutions such as Zambia Statistics Agency, produce and publish monthly consumer price indices for a basket of goods and services that procuring entities may benchmark against as they conduct price reasonable analysis.

Table 3 below summarises the analysis to be undertaken:

Table 3: Price Reasonable Analysis of comparing with Published Prices by relevant Government Institutions

S/No	A	B	C=A-B	D	E=D-A (or D-I)	F=(A-B)/B *100	G	H	I=A*H	J
	Best Evaluated Bidder (BEB)	Published price/ cost estimator by ZamStats/ZRA/ERB/NWASCO /ZPPA etc	Difference between Best Evaluated Bidder Price & Published Price by Government Institutions	Budget or APP Estimate (Estimate Indicated on Purchase Requisition)	Budget Estimates variance with Best Evaluated Bidder	Percentage difference between Best Evaluated and Published Price: within +/-5% of future contract	Explanation of the differences, if any	Quantity to be procured	Contract sum/price	Recommendation
	(Description of procurement and Unit Price)	(Date of Publication and Unit Price)								
1	Name of BEB & Description of purchase Year/Month of Purchase Unit Price offered	Description of purchase Year of published price & LPO No. Published Unit Price								
2	Name of BEB & Description of purchase Year/Month of Purchase Unit Price offered	Description of purchase Year of published price & LPO No. Published Unit Price								
3	Name of BEB & Description of purchase Year/Month of Purchase Unit Price offered	Description of purchase Year of published price & LPO No. Published Unit Price								

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4. Insurance and Demurrage Rates/fees

Where an item being procured has a published or pre-established price list such as insurance or demurrage charge rate, available to the general public, which sets forth the price of goods, works or services, this fact can be used to determine the price to be fair and reasonable.

The insurance or demurrage rates should be current (within one year, generally). It is advised that procuring entities provide a dated page from the sector catalogue along with the page where pricing rate/charge is identified (this could be a printout of a web page), it is a good idea to obtain a name of another recent purchaser and confirm that this was the price rate paid. Often, discounts of the price rates, charges list are offered. If this is the case, it should be noted in the written analysis.

Where an item has an established market insurance rate, demurrage rate per day or month, verification of an equal or lower price also establishes the rates or charges to be fair and reasonable. Example: the purchase of imported commodities such as grain, crude oil, refined petroleum products like petrol, diesel and aviation fuels.

Table 4 below summarises the analysis to be undertaken:

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Table 4: Price Reasonableness Analysis of comparing with Insurance/ Demurrage Rates/ Customs Duties

S/No	A	B	C=A-B	D	E=D-A (or D-1)	F=(A-B)/B)*100	G	H	I=H*A	J
	Best Evaluated Bidder (BEB)	Insurance/Demurrage /customs duties	Difference between Best Evaluated Bidder Price and Insurance Rates or Demurrage charge	Budget or APP Estimate (Estimate indicated on Purchase Requisition)	Budget estimates variance with best evaluated bidder	Percentage difference between Best Evaluated Bidder & Insurance Market rates or charges for demurrage $\pm 5\%$	Explanation of the difference, if any	Quantity to be procured	Total contract price/sum	Recommendations
	(Description of procurement and Unit price)	(Unit Price)								
1	Name of BEB & Description of purchase	Description of purchase								
	Year/Month of Purchase	Year of Insurance/ demurrage/customs duties								
	Unit Price offered	Insurance/ demurrage/customs duties unit price								
2	Name of BEB & Description of purchase	Description of purchase								
	Year/Month of Purchase	Year of Insurance/ demurrage/customs duties								
	Unit Price offered	Insurance/ demurrage/customs duties unit price								

5.0 Price Reasonableness Analysis using Budget

When the PE has no other data to be used during the analysis, the budget estimates/annual procurement plan can be used to undertake the price reasonableness analysis. If the budget estimate of the item has been prepared and no other method or information is available, a price can be compared to the budget estimate or APP estimates and if it compares favorably, this can be a basis to find a price fair and reasonable. Independent estimates that are proposed within a procuring entity should be up to date with the prevailing average industry rates, within the acceptable price ranges of $\pm 5\%$.

Table 5 below summarises the analysis to be undertaken:

Table 5: Price Reasonableness Analysis of using Budget / Annual Procurement Plan Estimates

S/No	A	B	C	D=C-B (or C-H)	E=(B-C)/C*100	F	G	H=G*B	I
	Best Evaluated Bidder (BEB) and Description of procurement	Best Evaluated Bidder Unit price	Budget or APP Estimate indicated on Purchase Requisition)	Budget estimates with best evaluated bidder	Percentage difference between Best Bidder and estimate: within ±5% of future contract	Explanation of the difference, if any	Quantity to be procured	Total contract price/sum	Recommendations
1	Name of BEB & Description of purchase	Description of purchase							
	Year/Month of Purchase	Budget/APP Estimate Year & LPO No.							
	Unit Price offered	Budget/APP Unit Price							
2	Name of BEB & Description of purchase	Description of purchase							
	Year/Month of Purchase	Budget/APP Estimate Year & LPO No.							
	Unit Price offered	Budget/APP Unit Price							
3	Name of BEB & Description of purchase	Description of purchase							
	Year/Month of Purchase	Budget/APP Estimate Year & LPO No.							
	Unit Price offered	Budget/APP Unit Price							

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