Government of Pakistan
Public Procurement Regulatory Authority
(Cabinet Division)
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File: 01(13)/PPRA(PW)2025 Islamabad, September 17, 2026

Subject: **GUIDELINES FOR VALUE-BASED PROCUREMENT OF WORKS**

These **Guidelines are issued with reference to Rule 2(h) of the Public Procurement Rules, 2004**, which defines the term **"most advantageous bid"** as follows:

(a) a bid or proposal for goods, works or services that after meeting the eligibility or qualification criteria, is found substantially responsive to the terms and conditions as set out in the bidding or request for proposals document; and

(b) evaluated as the highest ranked bid or proposal on the basis of cost or quality or qualification or any combination thereof, as specified in the bidding documents or request for proposal documents which shall be in conformity with the selection techniques to be issued by the Authority;

Accordingly, the procuring agencies are encouraged to adopt value-based procurement approaches for works where quality, durability, operational performance, and lifecycle costs are important considerations. Where deemed appropriate, a procuring agency may seek best value for money by considering the total cost, performance, and expected useful life of the asset or works, rather than evaluating bids solely on the basis of construction cost.

2. Defect Notice Period as a Value-for-Money Instrument:

Where appropriate to the requirement and nature of the procurement, procuring agency should incorporate extended Defect Notice Period (DNP), preferably for three years or more, as a means of promoting quality, durability and contractor's accountability. The DNP period should be proportionate with the nature, complexity, expected service life and risks associated with the works.

An extended DNP should require contractors to assume greater responsibility for the quality of design (where applicable), materials, workmanship and performance, thereby reducing the risk of premature deterioration and excessive maintenance cost.

3. Lifecycle Cost Consideration:

Where economically and technically appropriate, procuring agencies should consider lifecycle costs, including but not limited to the following; construction cost; operation and maintenance costs including energy and resource consumption and residual or disposal costs.

Where lifecycle cost is used for evaluation of bids, the evaluation methodology should be clearly specified in the bidding documents and should enable comparison of bids on the basis of overall economic advantage and expected performance.

4. Requirements of Defect Notice Period:

DNP requirements should be risk-based, proportionate and objectively justifiable. Procuring agency should avoid prescribing unnecessarily extended DNP requirements where such requirements may restrict competition and increase procurement costs without corresponding benefits; create disproportionate financial burdens on bidders; or discourage otherwise capable and qualified firms from participating. Where an extended DNP is prescribed as a requirement of the procurement, the minimum DNP period and the corresponding obligations of the contractor shall be clearly specified in the bidding documents.

5. Pro-Rata Security Retention during Defect Notice Period:

Where deemed appropriate, procuring agency should define a pro-rata security retention and release mechanism proportionate to the nature, complexity, expected service life and risk profile of the works, with the objective of maintaining adequate protection against defects and outstanding contractual obligations. The same shall be clearly defined in the bidding documents.

The retention money may preferably be released progressively over the DNP in a manner that provides greater security to the procuring agency during the later stages of the DNP, where the risk of latent or progressive defects may remain. For a three-year DNP, a 25%, 25% and 50% release schedule of the retained amount may preferably be adopted upon satisfactory completion of the first, second and third years, respectively, subject to rectification of identified defects and fulfilment of the Contractor's applicable contractual obligations.

The procuring agency may adopt a different proportionate retention and release schedule, where justified by the nature, complexity, service life and risk profile of the works, and such rationale should be documented as part of the procurement due diligence.

6. Documentation and Justification:

The procuring agency should conduct due diligence and document the procurement rationale, key risks and expected benefits prior to undertaking value-based procurement to ensure the public procurement is conducted in accordance with the principles of fairness, transparency, efficiency, economy and best value for money.

The procuring agency should maintain relevant empirical data where value-based procurement is undertaken, report the outcomes to the **Planning Commission and the Authority**, including a **Cost-Benefit Analysis**, key performance outcomes, benefits achieved, and lessons learned, as the case may be. The reported information may be considered to assess the effectiveness of value-based procurement approaches.

Nothing in these Guidelines shall be construed to permit or require any procurement method, evaluation criterion, preference or procedure contrary to the Public Procurement Rules, applicable regulations or prescribed Standard Bidding Documents. In case of any inconsistency, the applicable statutory and regulatory framework shall prevail.

Dr. Shuja Ur Rehman
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Director IT PPRA, with a request to upload the same on Authority's website for information of the procuring agencies, bidders and general public.