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**15238**

**Subject: Project Procurement.**

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**Important Note.**

Paper should be done in MS word.

**Attempt all questions. In your own words. Each Question contain 15 Marks**

Q.No.1: Through light on the purchasing process of Pakistan Secondary Education Sector.

Ans: Federal Government is responsible for providing education services in Islamabad; and this responsibility is performed through the Federal Directorate of Education (FDE), which serves as an attached department of the Federal Ministry of Education. Since there does not exist any elected government for the district, the participation of people in decision making or oversight is limited, as it can only be exercised through the Parliament or its committees on education, which have so many other responsibilities related to the whole country. The real authority is, therefore, largely exercised by the bureaucracy related to the Ministry of Education and, more precisely, by the Federal Directorate of Education. Even the processes related to development planning and identification of priorities include little input from the people living in Islamabad. In the Islamabad Capital Territory (ICT), the Federal Directorate of Education is responsible for the administrative and professional management of various types of educational institutions including primary schools, middle schools, high schools, higher secondary schools and degree level colleges. The Directorate is also responsible for provision of required infrastructural facilities, recruitment of teaching and non-teaching staff, monitoring and implementation of the policies of the government. The FDE has divided Islamabad into 5 sectors including 1 urban sector and 4 rural sectors. The rural sectors are Bhara Kahu, Nilore, Sihala and Tarnol. 2. Educational Facilities in Islamabad: There exist 401 government schools in Islamabad. Out of these 401 schools, 227 are primary schools, 54 are middle schools, 91 are high schools and remaining 29 are higher secondary schools. The number of schools located in the urban areas of Islamabad is 121; while the remaining 280 schools are located in the rural areas of Islamabad. This is interesting as, while about 72 percent people in Islamabad live in urban areas, most of the schools are located in the rural areas. It can be explained by the fact that the rural population is dispersed over a large area and, hence, there has been a need for building more schools to provide easy access. On the other hand, fewer but bigger and better equipped schools could be built in the urban area, where population is concentrated and people have relatively easier access to educational facilities. Furthermore, it may be noted that there exist a large number of private schools and colleges in the urban area, which significantly reduce the burden on government schools. However, these private schools charge significant amounts as fee, which make them unaffordable for people belonging to low and middle income groups.

Due to various factors, the quality of education in the government schools and colleges has deteriorated over the years. This perception is confirmed by the fact that most of the parents, who can afford, would like to send their children to the private schools, which have seen a mushroom growth, especially in urban part of Islamabad. Successive governments have been claiming to improve this situation but without much success. The poor quality of public sector education is in spite of the fact that government schools are properly built on sizable plots and have got facilities like playgrounds. On the other hand, most private schools are located in residential sectors in hired buildings without having proper class rooms or playgrounds. Among others, the poor performance of government schools is attributed to inadequate or ineffective monitoring, little incentives for performance and lack of accountability. Another significant reason is that, while the government builds schools or colleges with good physical infrastructure, it puts little emphasis on providing funds for maintaining the facilities or improving classroom environment for quality learning. In the Federal Government, the annual budget making process for the next year effectively starts in October each year when Ministry of Finance issues the Budget Call Circular. In response, the concerned ministries, divisions and departments are expected to submit the detailed estimates of expenditures in the period from November to February. In March and April, the estimates of expenditures furnished by various ministries and divisions are scrutinized. Later, in March to June, after scrutiny of estimates of expenditures, the Ministry of Finance formulates the budgetary proposals, which are presented in the Parliament in June for approval. The procedure for preparing annual development plan is also similar. However, in this case, development requirements submitted by ministries or divisions in response to Budget Call Circular are scrutinized by the Planning and Development Division in March. Later, these requirements are prioritized and approved through a process involving the Priorities Committee in Ministry of Finance, Annual Coordination Committee and National Economic Council. Ultimately, the selected schemes are included in the annual development plan and made a part of budgetary proposals that are submitted to Parliament for approval in June. As far as the education sector is concerned, the Budget Call Circular is sent out in October to the Ministry of Education and its divisions or attached departments, which send the same to their sub-offices or institutions. In return, all these institutions, departments, divisions and sub-offices provide the estimates for expenditures as well as their development requirements. Hence, the requirements are collected from nearly all level within the education sector, which indicates the existence of an elaborate process involving all the relevant players within the public sector. However, the process has the following weaknesses, which have not been addressed yet and require attention of relevant authorities: • Budget Call Circular does not necessarily reach the lowest levels (e.g. a primary and middle school) and, hence, the lowest level facilities do not always get the opportunity to identify their requirements or needs. As per the procedure, the Budget Call Circular is only sent to relevant drawing and disbursing officers, who are senior level officers and responsible for several sub-offices or schools. They rarely consult their sub-offices or schools under their jurisdiction before sending up the requirements and needs. Usually, the Budget Call Circulars are not taken seriously and are disposed off quickly as a usual correspondence. Non official stakeholders are not consulted at all. It is despite the fact that parents, students and members of related communities are direct stakeholders, and there views must be heard in the course of assessing problems and needs for the next year budget. However, the formal procedure for budget making does not include any such provision; nor do the relevant authorities consult stakeholders informally. • Parliament or its committees are not involved in the process of identifying or prioritizing needs and developing budgetary proposals. All the steps from issuance of Budget Call Circular to formulation of budgetary proposals exclude elected leaders and members of the Parliament. It is only in June that the budgetary proposal are presented before the Parliament for formal approval, by when it is already tool late to make any substantial change in the annual budget. Parliament also gets very short time (i.e. 10 -15 days) for examining, analyzing and approving the whole annual budget. In short, the role of elected representatives in budget making and approval is nominal, which leaves too much of discretion with the executive having little or lacking appreciation of the needs and demands as realized or expressed by communities. Review of budget documents and discussions with stakeholders including the teaching staff of schools point to a range of concerns that need to be addressed by the concerned authorities. Such concerns relating to the allocations of current and development budgets are summarized as below: • Salaries of teaching and other staff in various types of government schools are low, which makes it difficult for the education sector to attract quality staff. It is particularly because the living expenses in Islamabad are very high, which makes it difficult for the staff to exclusively focus on their own profession. Very often, they have to look for other jobs or indulge in offering tuition services in private academies or at homes. This situation creates a range of problems and moral hazards. • Most of the funds allocated to schools are consumed by employees’ related expenses, as little amounts are allocated for operating expenses, equipment and repair and maintenance. As a result, the facilities provided in the government schools cannot be maintained or kept in working conditions. So, while washrooms exist, adequate funds are not available to keep them in working condition. Same is the case with regards to science laboratories and playgrounds. • Non-salary allocations for primary and middle schools are particularly low; and cannot meet the needs even at the minimal level. Schools also face problems in accessing the funds that are allocated for them. It is because the head-masters or head-mistresses of primary and middle schools do not have the powers of drawing and disbursing officers and, therefore, they have to seek approvals from the concerned authorized officers i.e. drawing and disbursing officers (DDOs). The process is tedious and inefficient and, sometimes, suffers from corrupt practices. • Budget making process is neither open and transparent nor participatory. It is dominated almost exclusively by the bureaucracy, while the views of parents, students and communities regarding needs and priorities are not taken on board at any stage of the process. • Elected representatives exercise little or no oversight, as there does not exist any elected body for Islamabad. On the other hand, the Federal Parliament, which has the authority to exercise oversight, may not have the will or time to allocate adequate time for discussing Islamabad related matters and concerns. • Procedures relating to utilization of funds lack transparency, effective public oversight and accountability. As a result, there exist complaints of inefficient utilization and delays in implementation of projects. • Adequate funds are not allocated to meet the special or additional needs of schools or teachers in rural areas. For instance, teachers serving in rural schools, especially in girls’ schools, have to travel long distances to reach schools but no special provisions are made to facilitate their transportation. There is also a need of providing additional incentives for female teachers to serve in rural schools, which should help in addressing the problem of teachers’ reluctance to serve in rural sectors. On the basis of the findings outlined in this report, following recommendations are made for the attention of policy makers, relevant authorities and stakeholders: • Increase the overall allocation for the education sector in Islamabad, especially for facilities and institutions located in rural areas. • Concerted efforts must be made to improve the conditions of primary schools by providing adequate resources, facilities and technical support. In fact, it would be advisable to upgrade all primary schools into middle schools. • Adequate provisions must be made for operating expenses to each school. Needs for operating expenses must be determined through an open and consultative process involving all stakeholders. These should particularly take into account the need of more frequent communications and interactions among teachers and parents as well as improving classroom environment for quality learning. • An appropriate mechanism must be devised whereby primary and middle schools could easily access and utilize the funds that are allocated for them. • Until the government decides to extend the local government system to Islamabad, a citizens’ consultative forum may be established to discuss the education related matters pertaining to Islamabad and advise the government on important matters. This forum may include elected members of the National Assembly from Islamabad, eminent citizens, civil society representatives, heads of selected educational institutions and representatives of Federal Directorate of Education and Ministry of Education. • Special needs of girls’ schools and rural schools should be carefully identified, and annual budgets must make necessary provisions with the primary objective of providing quality educational services to all.

Q.No.2: Specify the process of purchasing in Hotel sector.

Ans: **Purchasing** is a [business](https://en.wikipedia.org/wiki/Business) or [organization](https://en.wikipedia.org/wiki/Organization) attempting to acquire [goods](https://en.wikipedia.org/wiki/Good_%28economics%29) or [services](https://en.wikipedia.org/wiki/Service_%28economics%29) to accomplish its goals. Although there are several organizations that attempt to set standards in the purchasing process, processes can vary greatly between organizations. Typically the word *purchasing* is not used interchangeably with the word [*procurement*](https://en.wikipedia.org/wiki/Procurement), since procurement typically includes [expediting](https://en.wikipedia.org/wiki/Expediting), supplier quality, and transportation and [logistics](https://en.wikipedia.org/wiki/Logistics) (T&L) in addition to purchasing.

Purchasing managers/directors, and procurement managers/directors guide the organization’s [acquisition](https://en.wikipedia.org/wiki/Procurement) procedures and standards. Most organizations use a three-way check as the foundation of their purchasing programs[[*citation needed*](https://en.wikipedia.org/wiki/Wikipedia%3ACitation_needed)]. This involves three departments in the organization completing separate parts of the acquisition process. The three departments do not all report to the same senior manager, to prevent unethical practices and lend credibility to the process. These departments can be purchasing, receiving and accounts payable; or engineering, purchasing and [accounts payable](https://en.wikipedia.org/wiki/Accounts_payable); or a plant manager, purchasing and accounts payable. Combinations can vary significantly, but a purchasing department and accounts payable are usually two of the three departments involved.

When the receiving department is not involved, it is typically called a two-way check or two-way purchase order. In this situation, the purchasing department issues the purchase order [receipt](https://en.wikipedia.org/wiki/Receipt) not required. When an invoice arrives against the order, the accounts payable department will then go directly to the requestor of the purchase order to verify that the goods or services were received. This is typically what is done for goods and services that will bypass the receiving department. A few examples are software delivered electronically, NRE work (non-reoccurring engineering services), consulting hours, etc.

Historically, the purchasing department issued [purchase](https://en.wikipedia.org/wiki/Purchase_order) for supplies, services, equipment, and raw materials. Then, in an effort to decrease the administrative costs associated with the repetitive ordering of basic consumable items, "blanket" or "master" agreements were put into place. These types of agreements typically have a longer duration and increased scope to maximize the quantities of scale concept. When additional supplies were required, a simple release would be issued to the supplier to provide the goods or services.

Another method of decreasing administrative costs associated with repetitive contracts for common material, is the use of company credit cards, also known as "[Purchasing Cards](https://en.wikipedia.org/wiki/Purchasing_Card)" or simply "P-Cards". P-card programs vary, but all of them have internal checks and audits to ensure appropriate use. Purchasing managers realized once contracts for the low dollar value consumables are in place, procurement can take a smaller role in the operation and use of the contracts. There is still oversight in the forms of audits and monthly statement reviews, but most of their time is now available to negotiate major purchases and setting up of other long term contracts. These contracts are typically renewable annually.

This trend away from the daily procurement function (tactical purchasing) resulted in several changes in the industry. The first was the reduction of personnel. Purchasing departments were now smaller. There was no need for the army of clerks processing orders for individual parts as in the past. Another change was the focus on negotiating contracts and procurement of large capital equipment. Both of these functions permitted purchasing departments to make the biggest [financial](https://en.wikipedia.org/wiki/Financial) contribution to the organization. A new term and job title emerged – [Strategic sourcing](https://en.wikipedia.org/wiki/Strategic_sourcing) and Sourcing Managers. These professionals not only focused on the bidding process and negotiating with suppliers, but the entire supply function. In these roles they were able to add value and maximize savings for organizations. This value was manifested in lower [inventories](https://en.wikipedia.org/wiki/Inventories), less personnel, and getting the end product to the consumer quicker. Purchasing managers' success in these roles resulted in new assignments outside to the traditional purchasing function – logistics, materials management, distribution, and warehousing. More and more purchasing managers were becoming Supply Chain Managers handling additional functions of their organization's operation. Purchasing managers were not the only ones to become Supply Chain Managers. Logistic managers, material managers, distribution managers, etc. all rose to the broader function and some had responsibility for the purchasing functions now.

In [accounting](https://en.wikipedia.org/wiki/Accounting), purchases is the amount of goods a company bought throughout this year. It also refers to information as to the kind, quality, quantity, and cost of goods bought that should be maintained. They are added to [inventory](https://en.wikipedia.org/wiki/Inventory). Purchases are offset by [purchase discounts](https://en.wikipedia.org/wiki/Purchase_discount) and [Purchase Returns and Allowances](https://en.wikipedia.org/w/index.php?title=Purchase_Returns_and_Allowances&action=edit&redlink=1). When it should be added depends on the [Free On Board](https://en.wikipedia.org/wiki/Free_On_Board) (FOB) policy of the trade. For the purchaser, this new inventory is added on shipment if the policy was FOB shipping point, and the seller remove this item from its inventory. On the other hand, the purchaser added this inventory on receipt if the policy was FOB destination, and the seller remove this item from its inventory when it was delivered.

Goods bought for the purpose other than direct selling, such as for [Research and Development](https://en.wikipedia.org/wiki/Research_and_Development), are added to inventory and allocated to Research and Development [expense](https://en.wikipedia.org/wiki/Expense) as they are used. On a side note, equipments bought for Research and Development are not added to inventory, but are [capitalized](https://en.wikipedia.org/wiki/Capital_expenditure) as [assets](https://en.wikipedia.org/wiki/Asset).

The process allows for a given system to enter the process at any of the development phases. For example, a system using unproven technology would enter at the beginning stages of the process and would proceed through a lengthy period of technology maturation, while a system based on mature and proven technologies might enter directly into engineering development or, conceivably, even production. The process itself includes four phases of development:[[1]](https://en.wikipedia.org/wiki/Purchasing#cite_note-DAUP_01-1)

* Concept and Technology Development: is intended to explore alternative concepts based on assessments of operational needs, technology readiness, risk, and affordability.
* Concept and Technology Development phase begins with concept exploration. During this stage, concept studies are undertaken to define alternative concepts and to provide information about capability and risk that would permit an objective comparison of competing concepts.
* System Development and Demonstration phase. This phase could be entered directly as a result of a technological opportunity and urgent user need, as well as having come through concept and technology development.
* The last, and longest, phase is the Sustainment and Disposal phase of the program. During this phase all necessary activities are accomplished to maintain and sustain the system in the field in the most cost-effective manner possible.
* This is the process where the organization identifies potential suppliers for specified supplies, services or equipment. These suppliers' credentials and history are analyzed, with the products or services they offer. The bidder selection process varies from organization to organization, but can include running credit reports, interviewing management, testing products, and touring facilities. This process is not always done in order of importance, but rather in order of expense. Often purchasing managers research potential bidders obtaining information on the organizations and products from media sources and their own industry contacts. Additionally, purchasing might send Request for Information (RFI) to potential suppliers to help gather information. Engineering would also inspect sample products to determine if the company or organisation can produce products they need. If the bidder passes both of these stages engineering may decide to do some testing on the materials to further verify quality standards. These tests can be expensive and involve significant time of multiple technicians and engineers. Engineering management must make this decision based on the cost of the products they are likely to procure, the importance of the bidders’ product to production, and other factors. Credit checks, interviewing management, touring plants as well as other steps could all be utilized if engineering, manufacturing, and supply chain managers decide they could help their decision and the cost is justifiable.
* Other organizations might have minority procurement goals to consider in selection of bidders. Organizations identify goals in the use of companies owned and operated by certain ethnicities or women owned business enterprises. Significant utilizing of minority suppliers may qualify the firm as a potential bidder for a contract with a company or governmental entity looking to increase their minority supplier programs.
* This selection process can include or exclude international suppliers depending on organizational goals and criteria. Companies looking to increase their pacific rim supplier base may exclude suppliers from the Americas, Europe, and Australia. Other organizations may be looking to purchase domestically to ensure a quicker response to orders as well as easier collaboration on design and production.
* Organizational goals will dictate the criteria for the selection process of bidders. It is also possible that the product or service being procured is so specialized that the number of bidders are limited and the criteria must be very wide to permit competition. If only one firm can meet the specifications for the product then the purchasing managers must consider utilizing a “Sole Source” option or work with engineering to broaden the specifications if the project will permit alteration in the specifications. The sole source option is the part of the selection of bidders that acknowledges there is sometimes only one reasonable supplier for some services or products. This can be because of the limited applications for the product cannot support more than one manufacturer, proximity of the service provided, or the products are newly designed or invented and competition is not yet available.
* This is the process an organization utilizes to procure goods, services or equipment. Processes vary significantly from the stringent to the very informal. Large corporations and governmental entities are most likely to have stringent and formal processes. These processes can utilize specialized bid forms that require specific procedures and detail. The very stringent procedures require bids to be open by several staff from various departments to ensure fairness and impartiality. Responses are usually very detailed. Bidders not responding exactly as specified and following the published procedures can be disqualified. Smaller private businesses are more likely to have less formal procedures. Bids can be in the form of an email to all of the bidders specifying products or services. Responses by bidders can be detailed or just the proposed dollar amount.
* Most bid processes are multi-tiered. Acquisitions under a specified dollar amount can be “user discretion” permitting the request or to choose who ever they want. This level can be as low as $100 or as high as $10,000 depending on the organization. The rationale is the savings realized by processing these request the same as expensive items is minimal and does not justify the time and expense. Purchasing departments watch for abuses of the user discretion privilege. Acquisitions in a mid range can be processed with a slightly more formal process. This process may involve the user providing quotes from three separate suppliers. Purchasing may be asked or required to obtain the quotes. The formal bid process starts as low as $10,000 or as high as $100,000 depending on the organization. The bid usually involves a specific form the bidder fills out and must be returned by a specified deadline. Depending of the commodity being purchased and the organization the bid may specify a weighted evaluation criterion. Other bids would be evaluated at the discretion of purchasing or the end users. Some bids could be evaluated by a cross-functional committee. Other bids may be evaluated by the end user or the buyer in Purchasing. Especially in small, private firms the bidders could be evaluated on criteria or factors that have little if anything to do with the actual bid. Examples of these factors are history of the bidder with the company, history of the bidder with the company’s senior management at other firms, and bidder’s breadth of products.