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Public Procurement Regulatory Authority

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In reply please quote:

Ref. No. AB 62/200/01/21 **12Th May, 2008**

To All PEs

RE: <u>CLARIFICATION ON THE EXCHANGE RATE TO BE USED AT THE TIME OF EVALUATION AND PAYMENT ON VARIOUS PROCUREMENT CONTRACTS.</u>

Reference is made to the above heading.

Section 89 of PPA, 2004 gives PPRA the mandate to issue guidelines from time to time for the better carrying out of the objectives or any functions under the Act. In this regards, PPRA is hereby issuing guidance on the exchange rate to be used at the time of payment on various procurement contracts.

The Authority has realized the importance of clarifying this issue to all Procuring Entities (PEs) due to a number of bidders asking for clarification on the rate of exchange to be used at the time of payment for various procurement contracts, and whether it should be the same rate used for evaluating and comparing bid prices.

The basis of using a certain exchange rate for purposes of comparison of bids is as stipulated in regulation 90 (19) of the Public Procurement (Goods, Works, Non-Consultant Services and Disposal of Public Assets by Tender) Regulation GN.No.97 of 2005 which states that *"where tender prices are expressed in two or more currencies, the tender prices of all tenders shall be converted to the same currency, and according to the rates specified in the solicitation documents, for the purpose of evaluating and comparing tenders"*. Price charged by the supplier and the currencies in which payments are to be made shall not vary from the prices quoted in the suppliers bid. In situations where there is a reason for paying in a particular foreign currency this should be stipulated in the contract and then the exchange rate to be used shall be that prevailing at the time of effecting that payment.

Furthermore, PEs should consider providing a clause in conditions of contract for price adjustment in case of price fluctuation in a long term contract. Price adjustment is necessary because there is a risk that, during the course of a contract, the cost of performing a contract may change from those initially estimated. This risk is not directly controllable by either the PEs or the bidders. Price adjustment provisions in contracts address this risk by providing mechanisms for adjusting contract payments to reflect changes in costs.

Please be guided accordingly.

Yours sincerely,

Dr. R. S. Mlinga
CHIEF EXECUTIVE OFFICER
PUBLIC PROCUREMENT REGULATORY AUTHORITY