

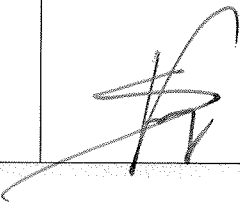


**PUBLIC PROCUREMENT REGULATORY AUTHORITY
(PPRA)**

**GUIDELINES FOR PRICE ADJUSTMENT IN PUBLIC PROCUREMENT,
2026**

June, 2026

GUIDELINES FOR PRICE ADJUSTMENT IN PUBLIC PROCUREMENT, 2026

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ABBREVIATIONS AND ACRONYMS

CAP	-	Chapter
CPI	-	Consumer Price Index
G.N.	-	Government Notice
PPRA	-	Public Procurement Regulatory Authority
PE	-	Procuring Entity
PPA	-	Public Procurement Act, Cap 410
PPR	-	Public Procurement Regulations, GN.No.518 of 2024
PAF	-	Price Adjustment Formula
Pn	-	Price Adjustment Factor (for specific period)

DOCUMENT VERSION CONTROL

Name of the Document	Guidelines for Price Adjustment in Public Procurement, 2026
Version	First Release, June,2026
Document Number	PPRA/PSCD/MPS/GUI/26/04
Nature of Document	External Guideline
Responsibility	Authority, Management, PE, Tenderer
Developed by	PPRA
1st Approval (First Issue)	Board,
Applicability	PPRA, PEs and Tenderers
Purpose	To guide on the application of Price Adjustment Formulas (PAFs) in public procurement contracts.
It is part of	Public Procurement Guidelines issued by PPRA
Related Documents	PPA, CAP 410, PPR, GN. No. 518 of 2024 (as amended)
Official Depository	Office of the Director General
Distribution	Board, Management, PEs, and Tenderers

REVISION HISTORY

Revision Number	Revision Date	Section/Part	Revision Description

GUIDELINES FOR PRICE ADJUSTMENT IN PUBLIC PROCUREMENT, 2026

PART I: INTRODUCTION			
1.	Background	1.1.	Pursuant to regulation 197 of the Public Procurement Regulations (PPR) of 2024, provide an opportunity for PEs to apply Price Adjustment Formulas in the event of inflation to obtain a reasonable price during contract implementation.
		1.2.	Further regulation 139 of the PPR allows the Medical Stores Department, under certain circumstances and subject to the approval by the Authority, to apply Price Adjustment Formulas in closed frameworks for health commodities.
		1.3.	Pursuant to section 130 of the Public Procurement Act, Cap 410 (PPA), the Public Procurement Regulatory Authority (PPRA) is mandated to issue Guidelines for the better carrying out of the objectives or any functions under the Act.
		1.4.	PPRA hereby issues these Guidelines for the applicability of the Price Adjustment Formula (PAFs) in public procurement.
2.	Short Title	2.1.	These Guidelines shall be cited as “ Guidelines for Price Adjustment in Public Procurement, 2026 ”
3.	Application	3.1.	These Guidelines shall come into force on the date of approval by the Board of Directors of the Authority.

		3.2.	These Guidelines shall be used when applying the Price Adjustment Formula (PAFs) in the procurement of goods, works or services.
		3.3.	Where the interpretation of any provision of these Guidelines conveys a meaning contrary to the PPA and PPR, the provisions of such Act and Regulations shall prevail and its interpretation shall be final and conclusive.
4.	Interpretations of Terms	4.1.	<p>In these Guidelines, unless the context requires otherwise-</p> <p>“Accounting Officer” shall have the meaning ascribed to it under the Act;</p> <p>“Act” means the Public Procurement Act, Cap. 410;</p> <p>“Authority” means the Public Procurement Regulatory Authority.</p> <p>“Base Date” means the date specified in the contract from which price indices or cost data are referenced for the purpose of calculating price adjustments.</p> <p>“Base Date Index” means the price index of the adjustable input for the month on the day falling on the base date.</p> <p>“Consumer Price Index” means an index that measures the rate at which the prices of a fixed basket of goods and services that are commonly purchased and consumed by a representative sample of private households are changing over a period of time (Monthly, quarterly or annually);</p>

		<p>“Contract Price” means the total price payable to the contractor, supplier, service provider or consultant for the execution of the contract, as stated in the contract agreement, including approved variations and adjustments, where applicable.</p> <p>“Current Date” means the date of execution of works, delivery of goods, or services offered as specified in the contract in relation to the payment milestone;</p> <p>“Current Index” means the index value published for the period corresponding to the current date, representing prevailing cost or price levels;</p> <p>“Eligible Cost Components” means Cost elements of the Contract Price that are subject to adjustment, as expressly defined in the contract, and may include labour, materials, fuel, or other inputs directly attributable to contract performance.</p> <p>“Index Base Period” means the period for which the index is set to 100.0.</p> <p>“Index Publishing Authority” means a recognized and independent institution responsible for publishing official price indices used for price adjustment purposes, such as a, National Construction Council, National Bureau</p>
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		<p>Statistics, Bank of Tanzania, or other relevant publishing authorities.</p> <p>"Index Reference Period" means the specific time interval (month, quarter, or year) to which an index value relates and for which price or cost levels are measured.</p> <p>"Inflation" means a sustained increase in the general level of prices for goods and services over a period of time, including deflation, which is when the general level of prices is falling.</p> <p>"Price Adjustment" means a contractual mechanism that modifies payments or valuations to reflect changes in the cost of inputs;</p> <p>"Price Index" means an officially published statistical indicator that measures changes over time in the prices of specific goods, services, labor, or materials used as a reference for calculating price adjustments.</p> <p>"Provisional Sum" means a monetary allowance included in the contract to cover anticipated costs of specific works, goods, or services that cannot be accurately priced at the time of contract award and are subject to later adjustment or confirmation.</p> <p>"Provisional Index" is a temporary or preliminary price index published when complete, verified data are not yet available.</p>
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			<p>“Proxy Index” means an alternative index selected to replace the original index that reflects similar cost or price movements.</p> <p>“Regulations” means the Public Procurement Regulations, GN.No.518 of 2024.</p> <p>“Symmetry of Risk” The principle ensuring that price adjustments apply equally to both price increases and decreases to protect both the PE and the Contractor.</p> <p>“Variation” means any approved change to the scope, quantities, specifications, or timing of the contract works, goods, or services that may result in an adjustment to the Contract Price or contract duration.</p> <p>“Weighting” The assigned percentage of the contract price allocated to specific cost components such as. fuel, labour, materials.</p>
5.	Purpose of Guidelines	5.1.	<p>General Purpose:</p> <p>To guide on the applicability of Price Adjustment Formulas (PAFs) in public procurement contracts.</p>
		5.2.	<p>Specific Purposes:</p> <p>The specific purpose of these guidelines is: -</p> <ul style="list-style-type: none"> a) To provide guidance on the procedures to be followed by PEs when applying the price adjustment formula in public procurement. b) To ensure consistency and uniformity in the application of the price adjustment formula in public procurement.

			c) To safeguard value for money through effective monitoring and enforcement in the event of inflation.
6.	Principles of Price Adjustment	6.1.	<p>The following principles shall guide the formulation, application, and monitoring of price adjustments to ensure fairness, efficiency, and alignment with recognized international best practices:</p> <ul style="list-style-type: none"> i. Value for Money (VfM): Price adjustment shall ensure efficient and effective use of public funds by providing fair compensation for eligible cost changes while preventing overpayment for goods, works, or services. ii. Transparency and Auditability: Price adjustment formulas, indices, parameters, and triggers shall be clearly disclosed in the tender documents and contract, and shall be supported by verifiable records to enable audit and independent review. iii. Symmetry of Risk: Price adjustment shall apply equitably to price increases and decreases, protecting contractors, suppliers, service providers, or consultants from cost changes beyond their control while limiting undue fiscal exposure to the Procuring Entity. iv. Proportionality and Materiality: Price adjustment shall be applied only to

			<p>material and verifiable cost changes and shall be proportionate to their impact.</p> <p>v. Avoidance of Windfall Gains: Price adjustment mechanisms shall prevent unjustified gains or losses and shall compensate only for genuine and sustained cost movements.</p>
PART II: APPLICABILITY AND ELIGIBILITY OF PRICE ADJUSTMENT			
7.	Applicability	7.1.	In the event of inflation of labour, equipment or materials as agreed in the contract, a price adjustment formula shall be applied to determine a reasonable and equitable adjustment to reflect changes of the cost during contract implementation.
		7.2.	The tender documents shall indicate whether price adjustments are allowed in the event of price inflation.
		7.3.	Where the tender documents indicate price adjustment in the event of price inflation, it shall provide the price adjustment formula to be used.
		7.4.	During the contract execution, applications for the price adjustment shall be made through the Electronic Public Procurement System.
8.	Contracts Eligible for Price Adjustment	8.1.	<p>A contract for goods, works, and services shall be eligible for price adjustment where it meets the following conditions: -</p> <p>A. For Goods</p> <p>(i). The contract with a delivery schedule that exceeds 12 months; and</p>

		<p>(ii). Closed framework agreements for health commodities entered by the Medical Stores Department;</p> <p>B. For Works</p> <p>(i). The contract duration exceeds eighteen (18) months;</p> <p>(ii). The contract involves major inputs that are exposed to significant and unpredictable price volatility, including but not limited to:</p> <ul style="list-style-type: none"> a) Fuel and energy; b) Construction materials such as cement, steel, bitumen, and aggregates; c) Imported goods and materials which are subject to fluctuation of prices in the source country; and d) Labour costs affected by general market-based labour cost inflation; <p>C. For Services</p> <p>(i) The contract duration exceeds eighteen (18) months;</p> <p>(ii) The contract involves major inputs that are exposed to significant and unpredictable price volatility, including but not limited to:</p> <ul style="list-style-type: none"> a) Remuneration where applicable; b) Labour costs affected by general market-based labour cost inflation;; c) Other relevant inputs related to the service such as fuel, consumable energy etc.
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		8.2.	Price adjustment may be applied to the contracts of a shorter duration when there is high volatility in the price of inputs to the contract, following the force majeure event during the contract implementation and upon approval of the Authority.
		8.3.	The Procuring Entity shall submit an application to the Authority for approval, supported by evidence of the force majeure event, analysis of price volatility and its impact on contract implementation, the proposed adjustment methodology, including applicable formula, indices, base date, adjustable inputs, weightings, and confirmation of availability of funds for price adjustment.
9.	Contracts Ineligible for Price Adjustment	9.1.	<p>The following contract for goods, works, and services shall not be eligible for price adjustment: -</p> <ul style="list-style-type: none"> a) Engineering, Procurement, and Construction (EPC), Turnkey Contracts; and Design and Build (D&B) contracts; b) Contracts with a period of 18 months or less for works or services; c) Goods contracts with a period of 12 months or less; d) Contracts with fixed budget; e) Lump-sum contracts; f) Reimbursable cost contracts; g) Local purchase order under open framework agreements; and h) Off-shelf contract or catalogue.

PART III: APPLICATION OF PRICE ADJUSTMENT FORMULA

A. PROJECT DESIGN STAGE

10.	Provision for Price Adjustment in Project Estimates	10.1.	Price adjustment shall be considered and provided for at the project design and cost estimation stage for all contracts that are eligible for price adjustment.
		10.2.	During the project design, the Procuring Entity shall assess and determine whether the proposed contract meets the criteria stipulated under clause 8 of these Guidelines for application of the Price Adjustment Formula.
		10.3.	PE shall include a contingency amount for price adjustment, up to 10% of the project estimated value as identified as a separate line item. The contingency amount shall be: - a) based on realistic and justifiable price volatility assumptions; and b) derived from historical index movements and market analysis.
11.	Formula Design and Weighting Rules	11.1.	PE shall determine an appropriate price adjustment formula based on the nature of the contract in the Schedule of Cost Indexation forming part of the tender document.
		11.2.	The Procuring Entity shall define indicative weighting for adjustable and non-adjustable inputs of the contract price that will be considered for Price Adjustment, where applicable.

		11.3.	The non-adjustable (fixed) portion shall not be less than 25% of the estimated project value, where applicable. In case the fixed portion is less than 25%, the PE shall seek approval of the Authority prior to tendering.
		11.4.	The sum of the fixed portion and all adjustable input coefficients shall equal 100% at all times.
		11.5.	Adjustable inputs shall be limited to cost drivers for material, equipment and labour typically covering 65–75% of contract cost, excluding overheads and profit.
		11.6.	The non-adjustable portion shall account for, but not be limited to, the following: <ul style="list-style-type: none"> a) Contractor's overheads; b) Profit margins; and c) Normal business and operational risks. <p>These costs are deemed predictable and manageable by the contractor and therefore shall not be subject to price adjustment.</p>
		11.7.	Each adjustable input shall be clearly identified and defined in the standard tender documents and contract conditions.
		11.8.	Weightings for adjustable inputs shall be evidence-based and derived from the cost structure of the project.
		11.9.	Where a contract provides for payment in both local and foreign currencies, an adjustable input shall not be duplicated across the local and foreign currency components of the price adjustment formula.
		11.10.	Local and foreign currency adjustments shall be computed and treated separately during the

			compilation of the IPC amounts.
		11.11.	Where a project comprises distinct sections, phases, or work categories with materially different cost structures or cost drivers, the Procuring Entity shall adopt a set or family of price adjustment formulae, with each formula linked to the relevant section, phase, bill item, or cost component in the Schedule of Cost Indexation, in order to avoid premature or inappropriate price adjustment compensation.
B. TENDERING STAGE			
12.	Preparation of Tender Document	12.1.	During the preparation of the tender document, for the contract eligible for price adjustment, PE shall indicate whether price adjustments are applicable or not.
		12.2.	Where price adjustment is applicable, the tender documents shall include a Price Adjustment Data Schedule and a Schedule of Cost Indexation.
13.	The Price Adjustment Data Schedule	13.1.	The Price Adjustment Data Schedule shall form an integral part of the tender documents. The Schedule shall specify the following, where applicable: - <ul style="list-style-type: none"> a) adjustable components of the contract price; b) applicable price index and sources index; c) base index reference periods; d) frequency of index publication; e) prescribed minimum and maximum weighting ranges for each adjustable

			input; and f) the fixed (non-adjustable) portion.
		13.2.	Tenderers shall be required to complete the weighting of adjustable inputs within the ranges prescribed in the Price Adjustment Data Schedule.
		13.3.	Tenderers shall not amend the price adjustment formula, fixed portion, or weighting ranges provided in the tender documents.
14.	Schedule of Cost Indexation	14.1.	PE shall include an appropriate price adjustment formula or a family of formulas based on the nature of the contract in the Schedule of Cost Indexation on the specific tender document.
		14.2.	The index reference period applicable to each index shall be disclosed in the Schedule of Cost Indexation included in the tender documents.
15.	Terms of Reference (ToR)	15.1.	PE shall include in the Terms of Reference (ToR) for consultants: - i. the requirement for carrying out appropriate and detailed rate analysis of the project estimate to determine costs of the basic elements based on market prices of each element where for materials ex-factory prices should be used which, excludes costs of construction/installation, transportation, overheads and profit, ii. establishing the appropriate families of

			<p>formula based on the specified generic formula and respective bill item(s); and</p> <p>iii. establishing range of weighting (coefficient) for key inputs.</p>
16.	Selection and Use of Indices	16.1.	PE shall include in the tender documents the requirement that tenderer select the price index from the tenderer's sources of key inputs.
		16.2.	The index reference period shall be the base period for which the index is assigned a value of 100 by the index-publishing authority and shall not be altered for purposes of price adjustment computation.
		16.3.	Indices to be used shall be those published by credible, independent, and verifiable sources, including national statistical offices, sector regulators, or internationally recognized institutions.
		16.4.	Only indices disclosed in the Price Adjustment Data Schedule shall be used for the purpose of price adjustment, unless agreed otherwise.
		16.5.	Indices shall be relevant to the currency of payment and cost origin, and where the currency of the source of indices is different from the currency of payment, an appropriate correction factor should be applied.
		16.6.	In applying sub-clause 16.5 of these Guidelines, the exchange rates for determining the currency correction factor shall be the selling rates published by the relevant central banks for the currency of payment and the currency of the country of origin of the indices, as applicable, on the respective base date and current date.

17.	Proxy Indices	17.1.	Proxy indices may be used only where official indices are unavailable or discontinued during the adjustment period.
		17.2.	PE shall ensure that a proxy index reflects similar market conditions, cost behaviour, and price-movement trends of the respective inputs to ensure fairness and accuracy in price adjustments.
		17.3.	Any proposal to use a proxy index shall be supported by a written justification and submitted to the Project Manager for determination and Accounting Officer for review and approval.
18.	Provisional Indices	18.1.	Provisional indices may be used where the final or official index for a given period is not available at the time of preparation of the tender or price adjustment computation. The use of provisional indices shall be subject to the following conditions: - <ul style="list-style-type: none"> a) the provisional index shall be issued by the same source that publishes the final index; and b) the provisional index shall be clearly identified as provisional in the Schedule of Cost Indexation or Price Adjustment computation table.
		18.2.	Where provisional indices are used, the price adjustment amount shall be treated as provisional and subject to reconciliation once the final index is published.
		18.3.	Upon publication of the final index, any difference between provisional and final price adjustment amounts shall be adjusted in the next payments.

19.	Negotiation of the Price Adjustment	19.1.	Where negotiation is to be conducted, negotiation shall be limited to confirm the appropriateness, availability, and continuity of indices specified in the Price Adjustment Data Schedule.
		19.2.	Negotiations shall not introduce new adjustable inputs, new indices or alter formula families, except where an index is unavailable as stipulated under clause 17.
		19.3.	All outcomes of negotiations relating to price adjustment, including indices and base periods, shall be documented in the negotiation minutes and form part of the contract.
C. CONTRACT IMPLEMENTATION			
20.	Price Adjustment Procedures	20.1.	During the contract execution, price adjustment shall be applied in accordance with the price adjustment formula, indices, weightings, and parameters specified in the signed contract.
		20.2.	Indices used in the price adjustment formula shall be applied consistently with their declared reference period throughout the duration of the contract.
		20.3.	Notwithstanding sub clause 20.1 of these guidelines, upon determination of the Project Manager and approval of the Accounting Officer, the weightings for each adjustable input stated in the price adjustment data schedule shall only be adjusted if they have been rendered unreasonable, unbalanced or inapplicable, as a result of Variations.

		20.4.	Price adjustment shall apply only to work executed or goods delivered or services offered within the original contract duration or duly approved extensions of time not attributable to the contractor, supplier, service provider or consultant.
		20.5.	Price adjustment shall be applied only to the net value of work executed or goods delivered or services offered, excluding: - a) Preliminaries and General items; b) advance payment recovery; c) items supplied free of charge by the Employer; d) materials on site; e) any amount for nominated sub-contractors; f) amount for any other items based on actual cost or current prices; and g) items expressly excluded from adjustment under the contract.
21.	Computation of Price Adjustment	21.1.	Price adjustment in works contracts shall be computed monthly based on the value of work actually executed.
		21.2.	Without prejudice to sub clauses 21.1 where an interim payment certificate covers work executed over more than one month, the value of work shall be segregated by month based on the monthly valuation for price adjustment.
		21.3.	Price adjustment computation on goods, health commodities or non-consultancy services shall be on the basis of seven days prior to the delivery date submitted for the actual goods

			delivered or service offered.
		21.4.	Price adjustment computation on non-consultancy services shall be on the basis of the first day of the month of the corresponding invoice date on the actual service offered.
		21.5.	Price adjustment for consultancy services shall be computed and applied on an annual basis, for the first time, with effect for the remuneration earned in the <i>Eighteenth (18)</i> calendar months after the date of the Contract.
		21.6.	Price adjustment shall apply symmetrically to price increases and decreases, and both outcomes shall be treated equally.
		21.7.	All price adjustment computations shall be reviewed and verified by the user department and certified prior to payment.
		21.8.	In case of overpayment arising from the computation of a price adjustment shall be recoverable in the next interim payment certificate, invoice and final account.
		21.9.	In case the contract does not provide a provision on retention money, or payment is paid once, the PE shall recover overpayment arising from the computation of a price adjustment by writing an official claim to the supplier, service provider, contractor or consultant.
		21.10.	The Procuring Entity shall retain all supporting documents and evidence on price adjustments as part of the contract records.
		21.11.	When the payment involves more than one currency, separate price adjustment formulas shall be applied for each currency of payment,

			and duplication of adjustable inputs across currency components shall be prohibited.
		21.12.	Indices with different reference periods shall not be combined in a price adjustment formula unless proper rebasing or linking has been applied and disclosed in the Schedule of Cost Indexation.
		21.13.	The cumulative amount payable as price adjustment during contract execution shall not exceed the approved contingency amount allocated for price adjustment or ten percent (10%) of the contract price, whichever is lower.
		21.14.	Where the value of the Price adjustment factor (Pn) for an adjustable input in a given Interim Payment Certificate or invoice is within the range of 0.95 to 1.05, no price adjustment shall be payable for that certificate.
		21.15.	Where the price adjustment factor (Pn) for an adjustable input exceeds the $\pm 5\%$ threshold in a given Interim Payment Certificate, compensation shall be calculated only on the portion of Pn that exceeds 1.05 or falls below 0.95, as applicable.
		21.16.	Notwithstanding sub clause 21.14, where the value of Pn for an adjustable input exceeds 1.15 or falls below 0.85, the price adjustment payable shall be capped at $Pn = 1.15$ or $Pn = 0.85$, respectively.
		21.17.	Every claim for price adjustment shall be supported by verifiable documentary proof of the applicable current indices and the relevant currency exchange rate, which shall correspond to the execution period of the work, delivery of the goods, and service offered.

		21.18.	Where the computation of a foreign price adjustment multiplier (Pn) requires the application of a currency correction factor, the exchange rate shall be determined in accordance with sub-clause 16.6 of these Guidelines.
		21.19.	Price adjustment for consultancy contracts shall be limited to the remuneration (fees) component and shall not apply to reimbursable expenses paid at actual cost.
		21.20.	Price adjustment for consultancy services shall be based on a single general inflation index appropriate to professional services, such as a Labour Cost Index or Urban Household Consumer Price Index published by the relevant authority.
		21.21.	Price adjustment for goods shall be linked directly to commodity-specific indices relevant to the goods supplied, as specified in the Schedule of Cost Indexation.
		21.22.	Base date of works executed, goods delivered, and non-consultancy service offered shall be determined on the 28 days prior to the bid submission deadline.
		21.23.	Base date for consultancy services offered shall be determined for the month of the date of contract signing.
		21.24.	Failure to apply the correct index reference period or approved linking methodology shall render the resulting price adjustment non-compliant and subject to correction or recovery.

PART IV: PRICE ADJUSTMENT FORMULA			
22.	The Price Adjustment Formula	22.1.	The Price Adjustment Formula (PAF) shall be applied according to the Contract to determine adjustments amount resulting from price inflation for each adjustment period.
		22.2.	The price adjustment formulas shall be as provided in Appendix 1 of these Guidelines.
PART V: MISCELLANEOUS PROVISIONS			
23.	Prohibition of Double Compensation	23.1.	An adjustable input shall be linked to only one index, and the use of overlapping or correlated indices for the same cost input is prohibited.
		23.2.	Any price adjustment calculation that results in double compensation shall be deemed non-compliant and shall not be eligible for payment.
		23.3.	Employing standardised coefficient sets not derived from the specific cost structure of the tendered works is prohibited. Coefficients must be project-specific.
		23.4.	PAF shall not be used to address extraordinary inflation, fortuitous events, or force majeure-type shocks without the approval of the Authority.
		23.5.	Contraventions or failure to comply with these guidelines may warranty legal action by virtue of the provisions of the PPA, its Regulations and any other relevant laws.

PART VI: ROLES AND RESPONSIBILITIES

24.	Procuring Entity	24.1.	A Procuring Entity shall comply with these Guidelines in the administration and implementation of price adjustments in the contracts for goods, works and services.
		24.2.	A Procuring Entity shall be accountable for the accuracy, completeness, and correctness of all price adjustment computations and approvals made under the contract.
		24.3.	<p>A Procuring Entity shall ensure that:</p> <p>a) Price adjustments are applied strictly in accordance with the contract provisions and these Guidelines;</p> <p>b) Only approved formulas, indices, coefficients, and data sources are applied; and</p> <p>c) All price adjustment computations and approvals are adequately documented and retained for audit and regulatory review.</p>
		24.4.	A Procuring Entity shall apply only those indices issued or endorsed by the designated Institution when implementing price adjustment provisions under these Guidelines.
		24.5.	A Procuring Entity shall take reasonable measures to ensure that officers involved in contract management and price adjustment are adequately trained.
		24.6.	A Procuring Entity shall take appropriate corrective measures where weaknesses or irregularities in the application of price

			adjustment provisions are identified.
		24.7.	A Procuring Entity shall conduct continuous monitoring of price adjustment applications and compensation trends arising from the procurement contracts.
		24.8.	Monitoring under sub-clause 24.7 shall include, as appropriate: <ul style="list-style-type: none"> a) Trends in adjusted contract prices; b) Frequency and magnitude of price adjustments; and c) Consistency of application across similar contracts and sectors.
25.	Project Managers	25.1.	A Project Manager shall provide technical input necessary for the application of price adjustment provisions, including: - <ul style="list-style-type: none"> a) Verification of quantities executed and work progress; b) Identification of applicable adjustment periods; and c) Preparation of price adjustment computations in accordance with the contract and these Guidelines.
		25.2.	All price adjustment computations prepared by a Project Manager shall be submitted to the Procuring Entity for review and approval.
26.	Public Procurement Regulatory Authority	26.1.	The Authority shall integrate the price adjustment process into compliance and value for money audits.

		26.2.	The Authority shall provide capacity building on the application of Price Adjustment in procurement contracts.
27.	Indices Publishing Authority	27.1.	The Institution designated for the preparation of price adjustment indices shall be responsible for the development, publication, and periodic updating of such indices.
28.	Review of the Guidelines	28.1.	These Guidelines shall be reviewed after three (3) years or any time as a need may arise from time to time.

APPENDIX

PRICE ADJUSTMENTS FORMULA

APPENDIX 1

A. Price Adjustment for Works Contracts

The generic price adjustment formula customised for small works, medium and large works is as follows:

A separate formula of the type indicated below applies to each Contract currency:

$$P_n = a + b \frac{L_n}{L_0} + c \frac{E_n}{E_0} + d \frac{M_n}{M_0} + \dots$$

where:

“ P_n ” is the adjustment multiplier to be applied to the adjustable amount in the relevant currency of the respective work item(s) carried out in period “ n ”, this period being a month;

“ a ” is a fixed coefficient, stated in the relevant table of adjustment data, representing the non-adjustable portion in contractual payments;

“ b ”, “ c ”, “ d ”, ... are coefficients representing the estimated proportion of each cost element related to the execution of the Works as stated in the relevant table of adjustment data; such tabulated cost elements may be indicative of resources such as labour, equipment and materials;

“ L_n ”, “ E_n ”, “ M_n ”, ... are the current cost indices or reference prices for period “ n ”, expressed in the relevant currency of payment, each of which is applicable to the

relevant tabulated cost element on the date 30 days prior to the last day of the period (to which the particular Payment Certificate relates); and

"L₀", "E₀", "M₀", . . . are the base cost indices or reference prices, expressed in the relevant currency of payment, each of which is applicable to the relevant tabulated cost element on the Base Date.

The cost indices or reference prices stated in the Table of Adjustment Data shall be used. If their source is in doubt, it shall be determined by the Project Manager. For this purpose, reference shall be made to the values of the indices at stated dates (quoted in the fourth and fifth columns respectively of the table).

If the currency in which the Contract price is expressed is different from the currency of the country of origin of the indices, a correction factor will be applied to avoid incorrect adjustments of the Contract price.

The correction factor shall be Z_0 / Z_1 , where,

Z_0 = the number of units of currency of the origin of the indices which equal to one unit of the currency of Payment of the Contract Price on the Base date, and

Z_1 = the number of units of currency of the origin of the indices which equal to one unit of the currency of Payment of the Contract Price on the Date of Adjustment.

B. Price Adjustment for Goods Contracts

The generic price adjustment formula customised for goods contract is as follows:

A separate formula of the type indicated below applies to each Contract currency:

$$P_1 = P_0 \left[a + \frac{bL_1}{L_0} + \frac{cM_1}{M_0} \right] - P_0$$

Whereby $a+b+c = 1$

In which:

P_1 = adjustment amount payable to the Supplier.

P_0 = Adjustable Amount (base price).

a = fixed element representing profits and overheads included in the Contract Price and shall be at least 25%.

b = estimated percentage of labor component in the contract price.

c = estimated percentage of the material component in the Contract Price.

L_0, L_1 = labor indices applicable to the appropriate industry in the country of origin on the base date and date for adjustment, respectively.

M_0, M_1 = material indices for the major raw material on the base date and date for adjustment, respectively, in the country of origin.

NB: If the currency in which the Contract Price P_0 is expressed is different from the currency of origin of the labour and material indices, a correction factor will be applied to avoid incorrect adjustments of the Contract Price. The correction factor shall be Z_0/Z_1 , where

Z_0 = the number of units of currency of origin of the indices which equal to one unit of the currency of the Contract Price on the Base Date; and

Z_1 = the number of units of currency of origin of the indices which equal to one unit of the currency of the Contract Price on the Date for Adjustment.

C. Price Adjustment Formula for the supply and installation of Information Contracts

The generic price adjustment formula customised is as follows:

A separate formula of the type indicated below applies to each Contract currency:

$$P_1 = P_0 * \left(a + \frac{bL_1}{L_0} + \frac{cM_1}{M_0} \right) - P_0$$

in which:

P_1 = adjustment amount payable to the Supplier

- P_0 = Base adjustable Amount
- a = fixed element representing profit and overhead in Contract price (a = %)
- b = estimated percent of labour component in Contract price (b = %)
- c = estimated percent of plant & equipment component in Contract price (c = %)
- L_0, L_1 = labour indexes applicable to the appropriate industry in the country of origin on the base date and the date for adjustment, respectively
- M_0, M_1 = material indexes for the major raw materials in the country of origin on the base date and the date for adjustment, respectively
- NB: The sum of the three coefficients a, b and c shall be one equal to 1 in every application of the formula.

D. Supply And Installation Plant

Prices payable to the Supplier, in accordance with the Contract, shall be subject to adjustment during performance of the Contract to reflect changes in the cost of labour and material components, in accordance with the following formula:

$$P_1 = P_0 * \left(\left[a + \frac{bL_1}{L_0} + \frac{cM_1}{M_0} \right] \right) - P_0$$

in which:

- P_1 = adjustment amount payable to the Supplier
- P_0 = base adjustable Amount (base price)
- a = fixed element representing profit and overhead in Contract price (a = %)
- b = estimated percent of labour component in Contract price (b = %)
- c = estimated percent of plant & equipment component in Contract price (c = %)
- L_0, L_1 = labour indexes applicable to the appropriate industry in the country of origin on the base date and the date for adjustment, respectively
- M_0, M_1 = material indexes for the major raw materials in the country of origin on the base date and the date for adjustment, respectively

NB: If the currency in which the Contract price, P0, is expressed is different from the currency of the country of origin of the labour and/or materials indexes, a correction factor will be applied to avoid incorrect adjustments of the Contract price.

The correction factor shall be: Z0/Z1 Where:

Z0= the number of units of currency of the origin of the indices, which equal to one unit of the currency of the Contract Price on the Base date, and

Z1= the number of units of currency of the origin of the indices, which equals one unit of the currency of the Contract Price on the Date of Adjustment.

E. Price Adjustment formula for Consultant Services Contracts

The generic price adjustment formula for the Consultant Services Contract is as follows:

A separate formula of the type indicated below applies to each Contract currency:

$$R_n = R_0 \times \left[\frac{CPI_n}{CPI_0} \right]$$

In which:

R_n = the adjusted contract price

R_0 = base Adjustable Amount (invoice value) at the time of submission

CPI_n = Current index applicable at the time of adjustment

CPI_0 = Base index applicable at the deadline for tender submission.

F. Price Adjustment for Non-Consulting Services Contracts

The generic price adjustment formula customised for Non-Consulting Services Contracts is as follows:

A separate formula of the type indicated below applies to each Contract currency:

$$P_c = A_c + B_c \times L_{mc}/L_{oc} + C_c \times I_{mc}/I_{oc}$$

Where:

P_c = is the adjustment factor for the portion of the Adjustable Amount payable in a specific currency "c".

A_c , B_c and C_c are coefficients specified in the **SCC**, representing: A_c the nonadjustable portion; B_c the adjustable portion relative to labor costs and C_c the adjustable portion for other inputs, of the Contract Price payable in that specific currency "c"; and

L_{mc} is the index prevailing at the first day of the month of the corresponding invoice date and

L_{oc} is the index prevailing 28 days before Tender opening for labor; both in the specific currency "c".

I_{mc} is the index prevailing at the first day of the month of the corresponding invoice date and

I_{oc} is the index prevailing 28 days before Tender opening for other inputs payable; both in the specific currency "c".

Note: If a price adjustment factor is applied to payments made in a currency other than the currency of the source of the index for a particular indexed input, a correction factor Z_o/Z_n will be applied to the respective component factor of P_c for the formula of the relevant currency. Z_o is the number of units of currency of the country of the index, equivalent to one unit of the currency payment on the date of the base index, and Z_n is the corresponding number of such currency units on the date of the current index.

G. Price Adjustment formula framework Contracts

Price Adjustment Formula

$$P_1 = P_0 \left[a + \frac{bL_1}{L_0} + \frac{cM_1}{M_0} \right] - P_0$$

In which:

P_1 = Call-off unit contract price.

P_0 = Unit price, as described in the Framework Agreement in the Price Schedules in Tender Document.

a = Fixed element representing profits and overheads included in the Contract Price.

b = Estimated percentage of labour component in the Contract Price.

c = Estimated percentage of material component in the Contract Price.

L0, L1 = Labour indices applicable to the appropriate industry in the country of origin on the base date and date for adjustment, respectively.

M0, M1 = Material indices for the major raw material on the base date and date for adjustment, respectively, in the country of origin.