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To
Addl. Director Log ANS.
Pakistan Airports Authority.
Logistics Branch South.

Subject: Request for Acceptance of Insurance Guarantees/Bonds as Alternative Bid Security in Respect of Ongoing PAA Tenders

Respected Sir,

We respectfully submit this representation regarding the requirement of submission of separate Bank Guarantees/Pay Orders as Bid Security in the following tenders presently under process by Pakistan Airports Authority.

1. Details of Ongoing Tenders

Sr.	Tender Title	Bid Submission Deadline	Bid Validity Period	Bid Security Amount
1	PROCUREMENT OF EXPLOSIVE TRACE DETECTION (ETD MACHINES FOR VARIOUS PAA AIRPORT.	07th August 2026	90 Days	Rs.7,000,000
2	PROCUREMENT OF HAND BAGGAGE CT SCANNING MACHINESFOR PAA AIRPORTS.	17th August 2026	180 Days	Rs. 66,360,000
3	PROCUREMENT OF FULL BODY SCANNERS FOR PAA AIRPORTS	17th August 2026	180 Days	Rs. 14,700,000
4	PROCUREMENT OF HOLD BAGGAGE CT SCANNING MACHINES FOR PAA AIRPORTS	25th August 2026	180 Days	Rs. 72,225,000
5	PROCUREMENT OF CARGO VEHICLE SCANNER FOR JIAP KARACHI	24th August 2026	180 Days	Rs. 35,62,5000

Aggregate Financial Exposure

Total Bid Security Requirement for the above five tenders: Rs. 160,285,000.
Average Bid Validity Period: 162 days

2. Financial Burden on Prospective Bidders

The simultaneous processing of the above tenders requires contractors desirous of participating in all procurements to arrange separate bid securities for each tender.
This results in:

- Blocking of substantial banking limits.
- Requirement of cash margins by commercial banks.
- Reduction of available working capital.
- Increased bank commission charges.
- Diminished borrowing capacity for project execution.
- Opportunity cost of immobilized funds for extended bid validity periods.

In practical terms, a contractor intending to participate in all five tenders is compelled to reserve approximately **Rs. 160,285,000** merely for bid security purposes for a period extending up to 162 days, notwithstanding the fact that only one or some of the tenders may eventually be awarded.

Such immobilization of resources places an extraordinary burden particularly where several tenders are floated concurrently.

3. Practical and Legal Disadvantages of Simultaneous Bid Security Requirements

A. Reduction in Competition

The requirement of separate Bank Guarantees of significant value effectively excludes many technically qualified and experienced contractors who may not possess equivalent banking capacity.
The result is:

- Fewer bidders.
- Reduced competition.
- Less competitive pricing.
- Potential increase in procurement costs.

This situation conflicts with the fundamental procurement principles of maximum competition and value for money.
Rule 4 of the PPRA Rules emphasizes transparency, economy, fairness and competition in public procurement. [epms.ppra.gov.pk]

B. Unequal Playing Field

The present mechanism disproportionately favors:

- Large corporations possessing extensive banking limits.
- Contractors with stronger banking relationships.

While technically competent medium-sized and emerging contractors become unable to participate in multiple tenders despite possessing the necessary expertise, manpower and equipment.

C. Unnecessary Financial Locking

Bid Security is intended only to secure a bidder's commitment until contract award.
It is not intended to:

- Finance procurement.
- Restrict participation.
- Create financial barriers to entry.

Where multiple tenders require simultaneous bid securities, the purpose of bid security becomes punitive rather than protective.

D. Public Interest Considerations

Restricting participation through high banking requirements may result in:

- Reduced number of bids.
- Lesser innovation.
- Reduced market competition.
- Potential increase in project costs.

Public procurement objectives are better served when the largest possible pool of qualified contractors can participate.

4. Legal Position Under PPRA Framework

PPRA FAQ No. 23

The Public Procurement Regulatory Authority has expressly clarified:
"It is the prerogative of the procuring agency to prescribe type of guarantee in the bidding documents. However, there is no bar to seek insurance guarantee from the supplier." [ppra.gov.pk]
Accordingly, federal procurement law does not prohibit acceptance of Insurance Guarantees.

PPRA FAQ No. 18

PPRA has further clarified that Rule 25 does not prescribe any exclusive form of Bid Security and the procuring agency may determine the acceptable instrument through its bidding documents. This confirms that Bank Guarantee is not the only permissible form of security. [ppra.gov.pk], [epms.ppra.gov.pk]

Rule 25 of Public Procurement Rules, 2004

Rule 25 authorizes procurement agencies to obtain bid security but does not restrict such security exclusively to bank guarantees. [epms.ppra.gov.pk]
Therefore, permitting Insurance Guarantees would not require any amendment to PPRA Rules and would remain fully compliant with the existing legal framework.

5. Recognition by Pakistan Engineering Council (PEC)

Pakistan Engineering Council has already incorporated Insurance Guarantees within its standard bidding framework.
PPRA's own FAQ acknowledges PEC's notification dated 29 May 2024 regarding insurance guarantees issued by insurance companies having prescribed financial strength ratings from PACRA/VIS. [ppra.gov.pk]
This demonstrates that:

- Insurance Guarantees are a recognized procurement instrument.
- The concept has already been vetted within Pakistan's engineering and procurement environment.
- Adequate safeguards through minimum financial ratings are available.

6. Regulatory Acceptance of Insurance Guarantees

Insurance Guarantees issued by companies rated **AA, AA+ or above** by PACRA/VIS provide substantial financial comfort because:

- Insurance companies operate under SECP regulation.
- Financial strength ratings assess claims-paying ability.
- The guarantees are legally enforceable.
- Beneficiary protections can be drafted identically to Bank Guarantees.

Accordingly, acceptance of Insurance Bonds does not compromise PAA's security interests.

7. Support from Other Regulatory and Procurement Practices National Insurance Company Limited (NICL)

NICL and other highly rated insurers have long been issuing bid bonds, performance bonds and advance payment guarantees in public sector procurements throughout Pakistan.
Pakistan Engineering Council (PEC)
PEC's standard documents recognize insurance-backed guarantee instruments subject to prescribed ratings. [ppra.gov.pk] PPRA.

Federal PPRA has expressly confirmed that there is no legal prohibition on insurance guarantees. [ppra.gov.pk]

8. Proposed Solution

In light of the foregoing, we respectfully request Pakistan Airports Authority to adopt any of the following measures:

Option No. 1

Permit Insurance Guarantees/Bid Bonds issued by insurance companies having minimum **AA rating from PACRA/VIS** as an alternative to Bank Guarantees for all PAA tenders.

Option No. 2

Issue an addendum allowing bidders the option to submit either:

- Bank Guarantee, or
- Insurance Guarantee/Bid Bond from an eligible institution.

Option No. 3

Allow Insurance Bonds at least in the above-referenced five tenders, are currently under process.

Conclusion

The proposed relief does not dilute the security available to Pakistan Airports Authority. Rather, it:

- Enhance competition.
- Increase bidder participation.
- Removes unnecessary financial barriers.
- Promotes value for public money.
- Aligns with PPRA's stated legal position.
- Conforms with PEC-recognized procurement practices.
- Serves public interest by encouraging wider and fairer competition.

We therefore respectfully request the competent authority to favorably consider permitting Insurance Guarantees/Bid Bonds as an alternate form of Bid Security in the above procurements.
We shall remain grateful for your kind and equitable consideration.

Yours truly,

Farhan Badar
Manager Sales

Enclosures:

1. Particulars of the five tenders.
2. PPRA FAQ No. 18.
3. PPRA FAQ No. 23.
4. PEC notification regarding Insurance Guarantees.
5. Relevant PACRA/VIS rating requirements.