



TRANSPARENCY INTERNATIONAL-PAKISTAN

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March 13, 2020

Chairman/Managing Director,
Pakistan International Airlines,
PIA Head Office,
Karachi.

Subject: Violation of Public Procurement Rules 2004 in award of of renovation contract of over US 25 MillionUSA & Scribe Hotel Paris, France, as well as irregular leasing out Roosevelt Hotel NY & Scribe Hotel Paris, by Mr. Najib Sami - MD PIA Investment Ltd.

Dear Sir,

Transparency International Pakistan has received a complaint on the violation of Public Procurement Rules 2004 in award of of renovation contract of over US 25 MillionUSA & Scribe Hotel Paris, France, as well as irregular leasing out Roosevelt Hotel NY & Scribe Hotel Paris, by Mr. Najib Sami - MD PIA Investment Ltd.

The complainant has made the following allegation;

That;

1. Pakistan International Airlines Corporation Limited (PIACL) is incorporated as Public Sector Company Limited, with company registration office Karachi on December 04, 2015. Pakistan International Airlines Corporation Limited governed under by the Companies Ordinance, 1984 as well as Public Sector Companies (Corporate Governance) Rules, 2013 of SECP. Under PSC Rules 2013, key appointments such as CEO/MD, Procurements, investments etc are regulated by Federal Government e.g. key appointments under Estacode Rules on qualification, experience, minimum /maximum age, remuneration, Procurement under PPRA Rules 2004, and investments loans under Finance Rules, and display of annual reports on the website of PIA etc.
2. Pakistan International Airlines Investment Limited (PIAIL) is a subsidiary of PIAC that owns two hotels, one is Roosevelt Hotel at New York, USA & other is Scribe Hotel at Paris, France, and it is mandatory for PIACL to perform similarly as PIA is performing
3. Since Mr. Najib Sami is appointed as MD of PIAIL about ten years ago, PIAIL has been violating most of the Public Sector Companies (Corporate Governance) Rules, 2013.
4. According to Federal Government Policy, retirement age is 60 years and in PIA also 60 years is retirement age except for Pilots. But in gross violation of Federal Government retirement age limit policy, PIACL & PIA Boards have many times amended retirement age limit of MD for retaining Mr. Najib Sami, from 60 to 63, and then from 63 o 65, and then from 65 to 70, and even now he is still allowed to work as MD PIAIL.



5. Mr. Najib Sami as MD PIAIL has blatantly violated and ignored compliance of many SECP/ Federal Government rules, specially Audit of Accounts of PIAIL, as well as hoisting of of PIAIL Annual Reports, on the website of PIAIL.
6. Mr. Najib Sami has ordered not to make PIAIL website, so as to successfully avoid hoisting of Annual Reports on the website of Pakistan International Airlines Investment Limited. Mr. Najib Sami has also managed to hide all details of PIAIL for PIA website also. In fact he has made PIAIL an opaque body, as no detailed about its existence, notification, Board of Directors, Annual Meeting, Board Meetings here available on website.
7. In last ten years or so, family members of hundreds of PIA and PIAIL directors, Ministers, Friends, Politicians, and their friends have been facilitated by PIAIL for free stay in Roosevelt Hotel at New York, USA and Scribe Hotel at Paris, at the cost of exchequer, under MD's orders. In return to these favours, all of them have managed to keep 71 years old Mr. Najib Sami as illegal MD of PIAIL since last 10 years. Complete Audit of last 10 years of hotel guest will disclose the free or concessionary rooms allowed, which may be in thousands of nights.
8. The Board of Directors of PIA as well as PIAIL has failed to perform their responsibilities, defined in Public Sector Companies (Corporate Governance) Rules, 2013. **Responsibilities powers and functions of the Board.** - (1)The directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company. This provision shall apply to all directors, including ex officio directors.

(2) The Board shall evaluate the candidates based on the fit and proper criteria and the guidelines specified by the Commission for appointment to the position of the chief executive and recommend at least three candidates to the Government for its concurrence for appointment of one of them as chief executive of the Public Sector Company, except where the chief executive is nominated by the Government. On receiving concurrence or nomination of the Government, as the case may be, the Board shall appoint the chief executive in accordance with the provisions of the Ordinance. The Board shall also be responsible for development and succession planning of the chief executive.

(10). Quarterly and Monthly Financial Statements and Annual Report. - Every Public Sector Company shall, within one month of the close of first, second and third quarter of its year of account, prepare a profit and loss account for, and balance- sheet as at the end of, that quarter, whether audited or otherwise, for the Board's approval. **Annual report including annual financial statements shall be placed on the Public Sector Company's website:**

(11) **The Board shall ensure compliance with policy directions received from Government from time to time.** (On Appointment of CEO and Finance Notifications by Ministry of Fiancé for PSE.)
8. Since last ten years, hundreds of millions of dollars contract for renovation of two Hotels have been awarded, without following PPRA Rules 2004. A visit to PPRA website reveals that PIA is posting all Tenders, Planning's, Evaluation Reports, and Contracts awarded on PPRA website, but no tender or details are posted on PPRA website by Pakistan International Airlines



9. Leasing contracts for the two hotel have also been awarded by MD Mr. Najib Sami worth over \$ 500 million, without open bidding in violation PPRA Rules 2004, which under PPRA Regulation Rule No. 50, is mis- procurement.

10. The Audit of Accounts of Pakistan International Airlines Investment Limited, which owns Roosevelt Hotel NY and Scribe Hotel Paris, were never performed by the Auditor General of Pakistan, which is mandatory according to Articles 169 and 170 of Constitution. Not only this, even PIA's internal auditors have not been allowed by Mr. Nab Sami to check the books of accounts of PIAIL, and PIA Board behaved as silent spectators.

11. Presentations were made to Board on the false profit earned by PIAIL only for the purpose of sanctioning of heavy annual bonus for Mr. Najib Sami. PIA Board did not perform its obligatory duty in monitoring affairs of PIAIL.

12. Mr. Najib Sami bought a house in Banigala Islamabad, and thereafter with connivance of political high-ups in the federal government, managed to shift PIAIL office from Karachi to Islamabad in 2013/14, and PIA Head Office is still in Karachi.

13. In order to facilitate Directors and their families all **Board Meetings of PIAIL are held in foreign countries which is against SECP Rules.**

Transparency International Pakistan has reviewed the issue on the alleged irregularities committed in Pakistan International Airlines Investment Limited. Following are recommendations for the consideration of Chairman PIA.

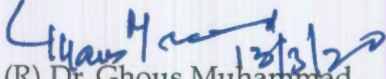
1. Allegations of Irregularity on the Compliance of Public Sector Companies (Corporate Governance) Rules, 2013 by PIAIL and PIA shall be investigated.
2. Allegations of Irregularity on the Compliance of Public Procurement Rules 2004 by PIAIL shall be investigated.
3. Appointment of Mr. Najib Sami after attaining age of 60 for three times in last 10 years inspire of ban on rehiring notified by Federal Government, shall be investigated. Even Judges of High Courts are retired at 63 years, and Judges of Supreme Courts are retired after 65 years, why and how the services of a 70 years old officer are retained by PIA and PIAIL and the Federal Government allowed this irregular appointment.
4. 10 Years Audit of PIAIL shall be conducted on the Free/Concessionary Rooms given in Roosevelt Hotel at New York, USA & other is Scribe Hotel at Paris, France on the request of Mr. Najib Sami. The names and relationships with POH of these beneficiaries shall be checked and declared publicly, similar to the recent list published in newspapers by Federal Government about the BISP fraud beneficiaries.

In case any or all allegations proves to be correct, actions against all officers and beneficiaries shall be taken to get the exchequers money refunded and measures for the proven irregularities as per violation of SECP, PPRA and Federal Govt Laws, shall also be initiated.



Transparency International Pakistan is striving for across the board application of Rule of Law, which is the only way to stop corruption.

With Regards,



Justice (R) Dr. Ghous Muhammad,
Vice Chairman,

Copies forwarded for the information with request to take action under their mandate to:

1. Secretary to Prime Minister, Islamabad.
2. Chairman, PAC, National Assembly, Islamabad.
3. Director General- NAB Karachi.
4. DG, FIA, Islamabad,
5. Secretary Aviation - Karachi
6. Registrar, Supreme Court of Pakistan, Islamabad.
7. DG FIA, Islamabad