



TRANSPARENCY INTERNATIONAL-PAKISTAN

12 January 2016

5-C, 2nd Floor, Khayaban-e-Ittehad, Phase VII,
Defence Housing Authority, Karachi.
Tel: (92-21)-35390408, 35390409, Fax: 35390410
E-mail: ti.pakistan@gmail.com
Website: www.transparency.org.pk

Mr. Shahid Ashraf Tarar,
Chairman,
National Highway Authority,
NHA HQ, 27, Mauve Area, G-9/1,
Islamabad.

Sub: News on allegation of illegal Award of Two Contracts to two 2nd lowest bidders, N-50, two projects called Package-I at R. 4.8 billion and for N-70. The road under Package-I at Rs 4.5 billion
Dear Sir,

Transparency International Pakistan refers to the news on the allegation of illegal Award of Two Contracts to two 2nd lowest bidders, N-50, two projects called Package-I at R. 4.8 billion and for N-70. The road under Package-I at Rs 4.5 billion, causing loss to exchequer of billions of rupees.

Annex-A.

The main allegations of the news report are detailed as under.

That;

1. National Highway Authority (NHA), four contracts — two for N-50 and two for N-70 — were awarded to two separate joint ventures (JVs) and a single firm. The lowest bidder was not considered in two of the contracts and the second lowest firms have not been asked to match the lowest bids.
2. But NHA official claimed that the authority had awarded the contracts in accordance with the criteria set by the Asian Development Bank (ADB), which is funding the projects.
3. For N-50, two projects called Package-I and II have been awarded. According to the NHA document, under Package-I, a 41km road from Zhob to Killi Khudae Nazar will be reconstructed by Limak-ZKB JV at a cost Rs4.8 billion. Under Package-II, a 40km road will be reconstructed from Killi Khudae Nazar to Mughalkot by Maqbool-Zarghon JV at a cost of Rs 4bn.
4. Similarly, two separate projects have been awarded for N-70. The road under Package-I will be constructed by firm Umar Jan from Qilla Saifullah to Loralai at a cost Rs4.50bn. Under Package-II, construction of the road from Loralai to Waigum Rud has been awarded to Maqbool-Zarghon JV with an estimated cost of Rs3.02bn.
5. According to the NHA, Maqbool-Zarghon JV submitted the lowest bids for all the four projects, but it was not considered for two projects (Package-I of N-50 and Package-I of N-70). These contracts have been awarded to the second lowest bidders and the second lowest bidders have not been asked to match the lowest bids.
6. Maqbool-Zarghon JV expressed concern over the bidding process and wrote several letters to the NHA claiming that the contracts had been awarded 'illegally' to the second lowest bidders.
7. NHA General Manager Mukhtar Durrani, who deals with these contracts, claimed that no discrepancy or irregularity had been committed in the award of the contracts and said whatever the authority had done was in line with the ADB's criteria.
8. "Although we have not considered the lowest bids in two of the four projects, we followed the ADB guidelines," he said, adding that the NHA was to consider financial capacity of the firms and under the criteria, Maqbool-Zarghon JV, which had already won two contracts, could not execute the remaining two.
9. A question arises here if the lowest bidder (Maqbol-Zarghon) has no such capacity to carry out the rest of the two projects then why its bids were opened and why it had not been barred from submitting its bids for these projects.



10. According to the official, the decision to reject the lowest bids for the two projects was taken by the NHA board comprising its Chairman Shahid Ashraf Tarar and senior officials of the Planning Commission and the Finance Division.
11. The NHA general manager had no answer when asked why the lowest bidder was not considered and why the second lowest bidders were not asked to match the lowest bids. "We just followed the ADB guidelines" was his only answer.

The allegations of Corruption in award of the Contract to 2nd lowest bidders at over 30% higher cost than the lowest tendered cost, causing loss of billions of rupees to exchequer have been examined.

Observations of Transparency International Pakistan.

1. NHA has prima facie committed mis procurement by awarding the Contract to 2nd lowest bidders at higher costs
2. ADB, WB, FIDIC and all national as well as international rules does not permit disqualification of lowest bidder, after the bidder was allowed to participate in the tender, the tenders have been opened, and bid prices have been announced.
3. In case the tender documents included any condition that financial status of bidders will be evaluated, and the bidders who have attained passing scores after including the cost of the project in hand, the works of all bidders/JVs in hand should have been checked and evaluated.
4. In case the lowest bidders fails for net worth, the next responsive bidder shall not be awarded the tender at 50% higher cost.
5. In these cases, NHA has awarded two Contracts to lowest bidder, which means that the rate quoted by the lowers bidders are workable, and the other bidders have quoted inflated costs.
6. In such case, the tender shall be discharged, and re-invited, by restricting the non responsive bidder from participating in these two works, so that competitive rates are quoted by all other bidders, and exchequers is not penalized by paying 30-50% higher process.

The Chairman, NHA is requested cancel the two contracts, and re invite the tenders to save exchequer loss.

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

With Regards,

Sohail Muzaffar
Chairman

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

1. Secretary to Prime Minister, Islamabad.
2. Chairman, PMIC, Islamabad.
3. DG, NAB, Karachi.
4. Registrar, Supreme Court of Pakistan, Islamabad.
5. Managing Director, PPRA, Islamabad.