

26<sup>th</sup> August, 2021

TIP21/08/26/1A

Mr. Khalid Javed,  
Chairman/Director General,  
Pakistan Post,  
Islamabad

**Sub: Allegation of violation of PPRA Rules 2004 by Pakistan Post in the Contract for Digitalization of Financial Services awarded on 3 June 2020 to HBL with conditional investment of Rs.118 billion in violation of PPRA Rules 2004, and also in the Tenders invited on 13.2.2021 for Agency Partnership with a Public Private Sector Organization for Integration of Postal Services in the Digital Platform.**

Dear Sir,

Transparency International Pakistan refers to DG Pakistan Post reply dated 16.8.2021 in response to TI Pakistan letter dated 9.8.2021. **Annex-A**

After the careful reading of the clarification stated in the reply, following are TI Pakistan comments and recommendations.

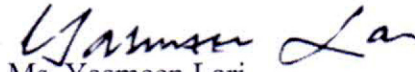
1. Compliance by Pakistan Post of FATF requirements, and statutory requirements of State Bank prudential rules are not disputed and must be implemented ASAP.
2. However, Contract for Digitalization of Financial Services which was awarded on 3 June 2020 to HBL, was processed under PPRA Rule 2004, which was also opposed by the MD PPRA, who confirmed that it was awarded in violation of PPRA Rules 2004, and now accepted by Pakistan Post to have been terminated, due to various violations of PPRA Rules 2004.
3. Action is therefore to be taken on the application of PPRA Rule 50 (mis-procurement) and Rule No 2 (f) ("corrupt and fraudulent practices" collusive practice), PPRA Rule 2 (b) Blacklisting of contractor, and mandatory action to be taken against all those who were responsible for these violations and also under NAO1999 section 9 (vi).
4. The New EOI issued by Pakistan Post on 13.2 2021, which is invited again under PPRA Rules 2004, is also not complying with PPRA Rules, Regulations, SBDs and Instruction. Following are the mandatory information which was not disclosed to bidders in the EOI by Pakistan Post.
  - a) *Mention the Method of Procurement i.e. Quality Based Selection/ Quality and Cost Based Selection/ Least Cost/ Single Source or Direct Selection/ Fixed Budget*
  - b) *Containing -----and evaluation criteria*
  - c) *Price of the EOI documents {mention price, if any, as per Rule 23(5) of Public Procurement Rules, 2004}. EOI documents can also be downloaded from (web address of procuring agency) free of cost.*



5. Even after 5 months of receipt of EOI on 18 March 2021, Pakistan Post has not posted the evaluation report on the PPRA website, as per requirement of Rule No 35.
6. Accordingly, prima facie, Pakistan Post Tender dated 13.2.2021 is in complete violation of PPRA Rules 2004. The process needs to be terminated, and proper Tenders shall be invited as per PPRA Rules, otherwise, this contract will also attract PPRA Rules 2004, Rule No 50, Mis-Procurement.

TI Pakistan is striving to have Rule of Law in Pakistan, which is the only way to eliminate corruption and have good governance in the country.

With Regards,



Ms. Yasmeen Lari  
Sitara-e-Imtiaz, Hilal-e-Imtiaz  
Chairperson  
Transparency International Pakistan



Justice (R) Nasira Iqbal,  
Sitara-e-Imtiaz  
Vice-Chairperson  
Transparency International Pakistan

Encl: Annexes A.

**Copies forwarded for the information and for action under rules to:**

1. PSPM, PM House, Islamabad.
2. Chairman PAC, National Assembly, Islamabad,
3. Chairman NAB, Islamabad,
4. Minister, Communications, Islamabad,
5. Auditor General Pakistan, Islamabad.
5. Register, Supreme Court of Pakistan, Islamabad
6. MD, PPRA, Islamabad



## OFFICE OF THE DIRECTOR GENERAL ISLAMABAD

No. SP. 6-9/2020

dated at Islamabad, the 16<sup>th</sup> August 2021

**Subject:** Allegation of violation of PPRA Rules 2004 by Pakistan Post in the Contract for Digitalization of Financial Services awarded on June 3, 2020 to HBL with conditional investment of Rs.118 billion in violation of PPRA Rule 2004, and also in the Tenders invited on 13.02-2021 for agency partnership with a public-sector organization for Integration of Postal Services in the Digital Platform.

*Reference:* Your No. TIP21/08/09/ IA letter dated August 9, 2021.

Dear Madams,

Pakistan Post's efforts for digitization of its archaic systems, has been used in recent weeks, to launch a sustained, sophisticated, well -resourced and highly coordinated social and electronic media campaign against the Federal Minister and the senior officers of the Federal Government by leveling false and malicious allegations. Transparency International (TI) has been quoted by these actors to lend credence to their unsubstantiated claims. The above referred letter appears to be based on the information and inferences derived from this slanderous campaign.

2. As Pakistan Post and Ministry of Communications accords highest respect and regard to Transparency International, therefore it is necessary to clarify the matter.

3. At the very outset, it is pointed out that the subject title is factually incorrect as it confuses an annulled agreement with Pakistan Post's EOI regarding a separate initiative published on 13-02-2021 seeking partnership with 'Public/Private sector organizations for the integration of Postal Services in a digital platform'. This referred advertisement has nothing to do with the 'digitization of Pakistan Post Financial services' which is being alluded to in TI's letter.

4. The contents of letter are factually incorrect, shows inadequate understanding of the Agency Partnership Agreements duly allowed to Pakistan Post under Branchless Banking Regulations of State Bank. The letter mixes incorrect facts with unsubstantiated allegations and ends up providing a credible platform to encourage and promote smear campaign against the Department, political leadership and senior officers of the Federal Government thereby trying to desist them from initiating strategic projects of national significance. It may be pointed out that in recent days T. Is name has been fraudulently used in a generally circulated and carefully edited video (<https://youtu.be/X7knsd4XfYA>) to level false allegations against the Department. Complaint has already been filed with FIA.

5. The **precise facts** with regard to agency partnership with HBL are as under:

- a) The **fundamental** reason for seeking partnership with a Financial Institution (FI) was to meet the FATF stringent conditions for the regulation of financial services of Pakistan



Post as it was barred to offer savings, pension and remittance services from its counters and was directed to bring its financial services under the regulatory framework of State Bank as envisaged in **Branchless Banking Regulations (revised on December 30, 2019)**.

- b) As per FATF conditionalities Pak Post cannot conduct financial services any more. Therefore, all accounts, which were being dealt by PP on behalf of CDNS have to be transferred back to CDNS. This is unfortunate however, PP has to comply as per GoPak commitments to emerge out of grey list.
- c) Disbursement of pension is also stopped under same conditionalities That's why PP is trying to digitize services. Hence, the requirement to enter into an agreement/strategic alliance with a FI and come under regulatory framework of SBP. Annual loss due to taking away of financial services is around Rs. nine billion per annum.
- d) Some elements within the Department and private sector competition trying tooth and nail to subvert the process. Hence the media vilification campaigns.
- e) Reality remains that not a single cent of government expenditure involved. All equity would be invested by the private sector.
- f) The **agency partnership** under the above referred regulations do not fall under PPRA Rule 2004 as this does not envisage procurement. To the contrary FI- principal is required to invest, train and equip the Agent and share commission with it for services rendered.
- g) Pakistan Post strictly falls under the definition of branchless banking agent as is defined in section (e) of the above referred regulations and the agency partnership is regulated and covered under clause 3.1 (a) and (c). The agency partnership of Pakistan Post with a Financial Institution under the above referred regulations envisages no public procurement. All investment on account of digitalization, improvement of postal infrastructure, training and capacity building is to be done by the selected Financial Institution as the Principal while Pakistan Post would be entitled to earn handsome commission as an Agent without incurring public investment under the above referred regulations.
- h) **PPRA's letter no.2/1/2008/PPRA-RA.III dated May 07, 2008** unambiguously stipulates that "PPP projects which the Federal Government does not have any equity of ownership and procurement are made by the private party" do not fall under PPRA Rule 2004.
- i) To ensure transparency, Pakistan Post and Ministry of Communications , despite the availability of institutional and regulatory framework and its categorical stated contention about the non-applicability of PPRA Rule 2004 chose to annul the agreement with HBL on 03-02-2021 and resolved to reinstate the process of Agency partnership with a Financial Institution under the Branchless Banking Regulations of the State Bank and in accordance with PPRA Rule (2004) to reinforce its commitment to transparency.
- j) The process for the selection of FI is underway. Draft agreement of the finally selected partner would only be signed after concurrence of key institutions of the Federal Government including NAB, PPRA, Finance and Law Divisions and approval of the Federal Cabinet.

6. It is pertinent to mention here that Pakistan Post has recently initiated a range of initiatives to modernize and improve its services viz launched first ever Digital Franchised Post Office nation-wide, sought partnership with leading logistics companies to overhaul its archaic mail sorting

and transmission system and move towards fulfillment to capture the rising ecommerce business. All these initiatives have been taken to make it competitive with the private sector and clear its deficit. Interestingly, these go un-noticed and no fingers raised, but the regulation of financial services through an FI is vociferously demonized to get it derailed.

7. It is stressed emphatically that Pakistan Post is committed to uphold the principles of fairness, transparency and objectivity without fail. As a public institution of national significance Pakistan Post expects T.I not to lend credence and authenticity to unsubstantiated allegations without verification and should not become tool to promote half cooked and concocted facts. We earnestly seek your support to independently review our system/ processes, identify and map weaknesses and help us bridge those gaps. A detailed briefing on the subject can be also arranged at a mutually convenient date.

Assuring you of our highest considerations.

*With Regards*



(Muhammad Zaheer)  
Director (Special Initiatives)

✓  
**Ms. Yasmin Lari**

Sitara – c- Imtiaz, Hila –c- Imtiaz  
Transparency International  
**ISLAMABAD.**

**Justice ( R) Nasira Iqbal**

Sitara-c- Imtiaz  
Vice Chairperson  
Transparency International  
**ISLAMABAD.**

Copy for information to:-

1. The Personal Secretary to the Prime Minister of Pakistan, Prime Minister's Secretariat, Red Zone, Islamabad.
2. The Chairman Public Accounts Committee (PAC). National Assembly Secretariat Public Accounts Committee Wing, Islamabad,
3. The Chairman National Accountability Bureau (NAB), Adjacent to Pakistan Broadcasting Corporation, Shahrah-e-Jamhuriat, G-5/1 G-5, Islamabad.
4. The Federal Minister for Communications, D-Block Pak Secretariat, Islamabad.
5. The Auditor General of Pakistan, Constitution Ave, G-5/2 Red Zone, Islamabad.
6. The Registrar, Supreme Court of Pakistan, Constitution Ave, G-5/2 Red Zone, Islamabad
7. The Managing Director, Public Procurement Regulatory Authority (PPRA) Building, 1st Floor, Federal Bank for Cooperatives, Ataturk Ave, G-5/2 G-5, Islamabad