



10th August, 2020

TIP20/0810/1A

Muhammad Akhlaque Rana,
Chairman/Director General,
Pakistan Post,
Islamabad

Sub: Allegations in award of Contract for Digitalization of Financial Services with to HBL in violation of complying with codal formalities i.e. Public Procurement Rules 2004, with conditional investment of Rs.118 billion (subject to Pakistan Post projected revenue collection) in a period of 20 years

Dear Sir,

Transparency International Pakistan refers to its letter dated 15 July, 2020, and appreciates the Pakistan Post clarification vide letter No DG/Misc/2020, dated 17 July 2020.

The Pakistan Post important clarifications were that this Contract does not attract PPRA Rules 2004, no public funds/government equity is involved, HBL is making investment in Technology etc. (Rs 118 billion), Pensions will be credited directly in Pensioner's Bank Accounts (i.e. not deposited first in HBL Accounts), and that the draft of PPOD-HBL agreement was also got vetted from M/o Law & Justice Division.

The above clarifications also published in newspapers, though not supported with documents, were taken in good faith as correct.

However, Transparency International Pakistan has received another complaint with allegations of irregular award of Contract for Digitalization of Financial Services with to HBL in violation of complying with codal formalities i.e. Public Procurement Rules 2004, with conditional investment of Rs.118 billion (subject to Pakistan Post projected revenue collection) in a period of 20 years.

The complainant has made following allegations.

That;

1. The same Project was initiated in 2017/18 also, in name of Financial Inclusion, under the Reform Agenda of Pakistan Post. The E.O.I was floated in newspapers under PPRA Rules, to call for the interest of interested parties. Tender of RFP was floated a per PPRA Rules. Bids were received, and technical evaluations as well as financial evaluation were carried out. But finally the project was eventually shelved.

2. The case again was taken up by Ministry of Communications, and the department just Floated EOI interested parties directed to submit proposals by 31st January 2020, at 5 p.m. The EOI was also posted on PPRA Website, and Pakistan Post website. Annex-A.

3. It is worth mentioning that the proposals once received was allowed to be amended numbers of time, in clear violation to PPRA rules. The committee evaluated on what Method, QCBS, QBS, Least Cost etc., and what was the Technical/Financial Evaluations Criteria given to bidders as required under PPRA Rules. There were lapses of some basic procedures and many question answers were over looked. Like Rs. 1.9 Trillion float of Post, under what formula and mandate Post has to



evaluate it and agreed to share the profit with private Bank. Whereas, the float belongs to Ministry of Finance, where is feasibility, did Post prepared any feasibility or hire any. Where is feasibility, did Post prepared any

feasibility or hire any consultant or firm (hired by open bidding as per PPRA Rules) on the basis of which they have included the monitoring benefits for Post and eventually concluded an agreement.

4. PPOD falsely claim that no funds of PPOD are involved, as a matter of fact Pakistan Post shall be sharing its commission from its core agency functions like Pension, Saving bank, Bill collections and many other functions. What is security grantee against default. Did PPOD has fault for any performance guarantee (as per PPRA Rules 2004) are surety bonds against non-performance from the part of partner Banks.

5. Out of five participants PPOD called for proposal from only three whereas, two was not ask for any proposal. What was criteria for rejection of two bidders.

6. The proposal which were initially received were allowed to be rectified / amended number of times and parties were allowed to alter! resubmit their proposal, which is in clear violation to PPRA rules.

7. This is purely revenue sharing model where in, post is sharing its Revenue with Bank from all Businesses which it currently is doing; including pensions, saving Banks.

8. H.B.L is acknowledging PPOD as super-agent, can Government department become Super-Agent to any private organization. H.B.L is giving Commissions to its HBL Connect agent's upto 85-90%, whereas, in case of Post merely 50% is offered, is there any market survey or evaluation by PPOD in this regards. In agreement it is clearly mentioned that H.B.L shall invest depending on Revenue earned, it shall invest Rs 4 Billion on earning of 10 billion and similarly 118 billion in 20 years has same parameter. The whole concept is no way an agency function. Rather, is revenue sharing model of public private partnership" which fall in ambit of PPP (Authority) or privatization commission. But ironically they haven't completed the requirement of PPRA even. Neither they floated any tender, nor received any technical or financial proposal and awarded contract for 20 years, HBL proposal was for 20 years whereas UBL proposal was for 10 Years. HBL Annual Profit after Tax for 2019 was shown, in report as Rs 15 Billion, and UBL annual Profit after Tax for 2019 was shown as Rs 5 Billion, against actual of Rs 20.7 Billion. This indicates that no time frame of Contract Period was fixed in the EOI/RFP to bidders by Pakistan Post, and false figures for UBL were stated in report, which is clear indications of illegal Tendered Conditions. The Contract was awarded on Sweet discretion and will of Minister/ Secretary and Management of Post. **Annex-B, Annex-C, Annex D.**

9. According to Agreement private Bank shall utilize space, name, good will and Business of post without spending a penny. According to proposal H.B.L, shall spend 4 billion initially, out of which Rs. 2.13 billion is for extension of software which H.B.L already has. Who has evaluated the value of this software as Rs 2.13 billion? Rs. 482 for Human Resources development and Rs 200 Million for training which implicitly means that all expenditures were evaluated and kept by partner bank and remaining amount to be spend for up lift and branding which infect is Branding and Advertisement of Bank itself and they have virtually purchased one of Pakistan biggest institute without spending penny

10. Ministry of LAW was sent draft Agreement with EOI (**Annex-A, Annex-E**) vide letter No 15-6/2020-P.O.I dated 29.05.2020. Ministry of Law after one day, on Friday 01.06.2020, vide U.O. No. 1(159)/2020, sent the reply, stating "The **Text** of the draft Agreement has been vetted from legal point of view, as in pencil, and is clear, **subject to the fulfilment of all codal formalities**". This clearly confirms that Ministry of Law has only vetted the Text of the Draft Agreement, and also conditioned



that its vetting is subject to the fulfilment of all codal formalities by Pakistan Post and Ministry of Communications.

Following are the observations of TI Pakistan.

- a. According to EOI, and MoL vetting as stated by the complainant in allegation No 10 above, this contract was processed under PPRA Rules 2004.
- b. HBL proposal was for **20 years** whereas UBL proposal was for 10 Years. HBL Annual Profit after Tax for 2019 was shown, in report as Rs 15 Billion, and UBL annual Profit after Tax for 2019 was shown as **Rs 5 Billion**, against **actual profit of Rs 20.7 Billion**. This seems violation of Rule 29, which states Failure to provide for an unambiguous evaluation criteria in the bidding documents shall amount to mis-procurement. These anomalies also comes under PPRA Rule 2 (f). **"corrupt and fraudulent practices"** includes**collusive practices** among bidders (prior to or after bid submission) designed to establish bid prices at artificial, non-competitive levels and to deprive the procuring agencies of the benefits of free and open competition
- c. HBL sharing of Pakistan Post Revue, which is federal government fund, and Investment of Rs 118 Billion is conditional, and HBL has not provided the performance security nor the Integrity pact (required under MoF D.O.No.F.3(7)/2002/PPRA dated 05.10.2002).
- d. Pakistan Post clarifications dated 17 July 2020 are contradictory to the allegations of this complaint.

Recommendations;

1. Allegations of this complaint requires verifications and if they are correct, this procurement comes under PPRA Rule 2004.
2. Pakistan Post was therefore required to comply with all PPRA Rules, specially Rule 7, Rule 10, Rule 12, Rule 21, Rule 23, Rule 28, Rule 29, Rule 30, Rule 32, Rule 35, Rule 36, Rule 39, Rule 4i, Rule 47 and NAO 1999 section 33 D.
3. In case of noncompliance of any of the 50 Rules of PPRA Rules 2004, this contract may be declared as mis procurement under Rule No. 50.

Transparency International, Pakistan request the Chairman/DG Pakistan Post to examine the complainant, TI Pakistan observations and recommendations.

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

With Regards,

Sohail Muzaffar
Chairman

Transparency International Pakistan .

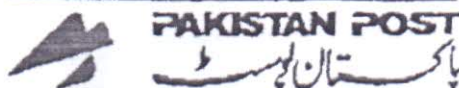
Copies forwarded for the information and for action under rules to:

- 1 Dr. Arif Alvi, President of Pakistan, President House, Islamabad.
2. PSPM, PM House, Islamabad,
3. Chairman NAB, Islamabad.
4. Secretary, Ministry of Communications, Islamabad
5. Register, Supreme Court of Pakistan, Islamabad
6. MD, PPRA, Islamabad

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SAY NO TO CORRUPTION

PAKISTAN POST PAKISTAN POST PAKISTAN POST

GOVERNMENT OF PAKISTAN
MINISTRY OF COMMUNICATIONS

DIRECTORATE GENERAL PAKISTAN POST OFFICE, ISLAMABAD

**REQUEST FOR EXPRESSION OF INTEREST
FOR REVAMPING & EXTENSION OF DIGITAL FINANCIAL SERVICES**

As part of the strategic vision, Pakistan Post intends to revamp its financial services, re-engineer and re-visit its processes and procedures to make these FATF compliant and extend its services to all post offices through a core digital financial solution. Pakistan Post also intends to integrate its financial services with Card Management System and offer access to State Bank approved payment gateway/scheme through Post Debit Card. It intends to enter in an agency partnership with an eligible partner/consortium eg. Commercial Bank/Micro-finance Bank duly licensed by the State Bank of Pakistan.

The eligible partner/consortium will leverage Post network to extend its entire digital financial services menu to:

General Post Offices

Departmental Post Offices

Branch Post Offices

Postmen / Delivery Staff

The complete EOI Documents having the details of the services/ solutions & the Evaluation Criteria as well as other relevant information/Terms & Conditions may be obtained from the office of the undersigned during office hours i.e 9:00 am to 5:00 pm till 27-01-2020 on production of original receipt for Rs 10000/- per set (non-refundable) deposited in any Post Office under head "Unclassified Receipt" in form ACG-67.

Interested parties are requested to furnish the requisite information till 31-01-2020 at 5:00 pm.

Pakistan Post reserves the right to reject or accept any or all EOI in accordance with PPR-2004.

This EOI is also available on Pak Post website: www.pakpost.gov.pk and PPRA website: www.ppra.org.pk.

NIDA ANUM**Assistant Dy. Director General (Special Initiative)
Directorate General, Pakistan Post, G-8/4, Islamabad.****Tel: 051-9263273**

PID(I)3804/19

"SAY NO TO DRUGS"

Annexure 1: Financial Assumptions & Projections

The summarized revenue Projections:

Revenue - Counter	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 20	Grand Total
Remittance Income - Telling Machine	1,931	2,027	2,128	2,235	2,347	2,464	2,587	2,717	2,852	2,995	4,879	61,837
Collection Business	773	807	832	871	911	955	1,001	1,050	1,102	1,158	1,967	25,090
Remittance Business	5,460	5,733	6,025	6,337	6,671	7,029	7,412	7,821	8,259	8,728	15,060	191,042
Remittance Business	400	419	440	463	487	513	542	573	606	642	1,220	14,295
Remittance Business	970	1,019	1,071	1,126	1,186	1,249	1,317	1,390	1,468	1,551	2,784	33,958
Remittance Business	410	437	464	493	523	555	589	625	663	703	1,345	16,497
Remittance Business	2,435	2,485	2,535	2,585	2,635	2,685	2,735	2,785	2,835	2,885	4,805	48,707
Remittance Business	850	850	850	850	850	850	850	850	850	850	850	17,007
Total Revenue - Counter	13,228	13,747	14,295	14,900	15,555	16,238	16,974	17,767	18,621	19,543	34,278	427,391
Revenue - Branchless												
Remittance Income - Branchless	18	110	182	259	342	436	543	663	796	943	1,703	16,255
Remittance Income - Branchless	19	19	19	19	19	19	19	19	19	19	19	185
Remittance Income - Branchless	209	165	165	165	165	165	165	165	165	165	165	1,650
Remittance Income - Branchless	3	5	8	10	13	15	18	21	25	29	51	331
Remittance Income - Branchless	175	252	349	464	601	759	944	1,164	1,424	1,724	3,004	31,432
Remittance Income - Branchless												
Remittance Income - Branchless	429	1,248	1,640	2,113	2,632	3,117	3,666	4,282	4,975	5,809	17,810	143,759
Total Revenue - Branchless	13,651	14,945	15,935	17,013	18,185	19,359	20,621	21,979	23,394	24,951	32,082	371,149

Note: For the existing lines of business, these projections are based on the 2017 & 2018 Pakistan Post Financial Statements that were made available to us. To set the base year on the 2019 figures, the actual growth trend has been incorporated for all existing revenue streams.

Additionally, Year 1 in the table is 2020.

ANNEX-C

Comparative Analysis of Investment Committed

DESCRIPTION	Amount in million (Rs.) Upfront by HBL	Amount in million (Rs.) Upfront by UBL
Technology	2,130	1,493
Infrastructure	350	526
Human Resource	482	344
Value Addition	Logistics = 400	E-commerce - Cashless Delivery
OPEX	641	965
UPFRONT INVESTMENT	4,003	3,328
TOTAL INVESTMENT	118,000 (20-Years)	29,011 (10-Years)
Projected Revenue In 10-years	408,622 Post Share = 224,742 (55%) HBL Share = 183,880 (45%)	137,219 Post Share = 68,610 (50%) UBL Share = 68,610 (50%)

6. Investment Plan

Investment:

In order to achieve above, HBL plans to invest **PKR 155 Billion in 20 years** in various areas for Pakistan Post provided the revenue projections are met. The high level breakup of the investment is as follows:

OPEX	CAPEX	Total Investment
PKR 113 Billion	PKR 42 Billion	PKR 155 Billion

The following breakdown is a proposal based on the indicative number and information available to HBL. The investment plan quotes number for first 10 years only after which the investment will be directly tied to a percentage of the HBL revenue share:

SUMMARY OF SELECTION PROCESS

- EOI floated 12-01-20
- 27 Institutions obtained EOIs 27-01-20
- Scrutiny Committee constituted 07-02-20
- Presentations by 10-FIs 12-14 Feb. 20
- Pre-business-proposal Conference 03-03-20
- 5 Financial institutions submitted proposals 13-03-20
- 3 Banks shortlisted 20-03-20
- Video Conferencing by short-listed Banks 1-3 Apr. 20
- Letter of Intent (LOI) issued 03-04-20
- Revised proposals received from banks 10-04-20

AMMEX - C

Most Immediate
By Special Messenger

Government of Pakistan
Ministry of Law and Justice
Law-II Section


AGREEMENT ON STRATEGIC ALLIANCE BETWEEN PPOD AND HBL
UNDER AGENCY FUNCTION.

Subject: -

Reference Ministry of Communication's u.o. Note No.15-6/2020-P.O-I, dated 29.05.2020 concerning the subject noted above.

2. The text of the draft Agreement has been vetted from its legal point of view, as in pencil and is cleared, subject to the fulfillment of all codal formalities.

Encl: As Above


(Farveez Saeed Bafra)
Section Officer

Ministry of Communications, Mr. Ata Hussain Shah, Joint Secretary (PO), Islamabad.
Ministry of Law and Justice u.o note No. 1(159)/2020, dated 01.06.2020