



11<sup>th</sup> February 2022

TL21/0211/1A

Mr. Rana Tanveer Hussain,  
Chairman,  
Public Accounts Committee,  
National Assembly Secretariat,  
Islamabad

**Subject: Allegations of \$753.7 million loss during the execution of the project by  
Chairman WAPDA in T4HPP-Tarbela Dam Project.  
Complaint against the Secretary MOWR's incorrect Response received from PM's Portal  
by email on 17 August 2021, stating that the PM agreed with Minister's recommendation  
that report is thereby recommended to be closed."**

Dear Sir,

Transparency International Pakistan refers to PAC letter No. F. 18(1)/2014-PAC dated 3<sup>rd</sup> February 2022, received from Mr. Shabbir Ahmad, Section Officer (PAC), forwarding the response dated 4<sup>th</sup> January 2022, of Ms. Fariha, the Section Officer (Hydropower), Ministry of Water Resources (**Annex-A**) on issues pointed out in TI Pakistan letter No. TL21/0823/1A dated 23<sup>rd</sup> August 2021 on the subject above (**Annex-B**).

The Section Officer (PAC) has requested Transparency International Pakistan to furnish its views/comments on the para wise report on MOWR Report to PAC for the perusal of Honorable Chairman Public Accounts Committee.

Transparency International Pakistan has examined the Report furnished and para wise comments by the Ministry of Water Resources in threadbare in light of TIP two letters, one TL21/0823/1A dated 23.8.2021 and the other letter TL21/0714/1A dated 14.7.2021 on which MOWR Report of 4<sup>th</sup> January 2022 is based.

TI Pakistan would like to clarify that it only acts as a whistleblower, and on complaints received by it are examined, and if they have documentary evidence of the violations, it forwards the complaints with its comments/recommendations to relevant authorities, to check and if found correct, take action under their mandate.

This particular complaint pertains to the Loss of \$753.7 million incurred to the Exchequer during the execution of T4HPP-Tarbela Dam Project by Chairman WAPDA in and determined in the Investigation Report dated 22.2.2019, by the Investigation Committee formed by the Prime Minister.

According to the rules, once the Investigation Committee formed by the Prime Minister completes its investigations, and submit the Investigation Report to the Prime Minister along with its findings and recommendations for further action to be taken namely; to conduct forensic audit of the Loss of \$753.7 million and to fix the responsibilities for the recovery. No one may be a Minister or even the Prime Minister can order to close the Investigations, which has already been completed. It a question of Loss of \$753.7 million, which in Rupee terms is Rs 131 Billion. This is a case of Corruption of Rs 131 Billion.



Ministry of Water Resources has failed to respond to the following facts, reported to the PM/PAC/SC in TIP letter dated 23.8.2021, which are reported in the Investigation Report, as well as AGP Annual Audit Report of MOWR for year 2019-2020, and 2020-2021, and instead MOWR has very conveniently avoided and blatantly tried to shift the blame of non-recovery of Rs. 131 Billion from Minister of Water Resources Mr. Faisal Vawda, to the Prime Minister of Pakistan Mr. Imran Khan.

**Following are TI Pakistan comments and views.**

1. The TORs of the 6 Member Investigation Committee were stated below:
  - a) To examine whether the project was inaugurated in time or before the completion of all formalities.
  - b) To assess whether any loss to national exchequer occurred due to the inauguration of the project before time.
  - c) To identify those responsible for making the decision of inauguration before completion of all formalities if a loss to the national exchequer occurred, and
  - d) To fix responsibilities and propose action.
2. The Investigation Committee Report found all the four allegations to be correct, which was also stated in para 3 of TI Pakistan letter No. TL21/0823/1A dated 23<sup>rd</sup> August 2021.

**Note: MoWR in its letter dated 4 January 2022 has not denied it.**

3. The Investigation Committee Report was signed by the five members with IC para 2.09, that the 6<sup>th</sup> member has not signed the report and the report was sent by Mr. Shamail Khawaja, Secretary MOWR, to the Principal Secretary to the Prime Minister on 22 February 2019, and no copy was forwarded to the Minister. But SAPM letter dated 8 May 2019 states that the report was submitted on 24 February 2019, and Minister's letter submitted on 25 February 2019.

**Note: MoWR in its letter dated 4 January 2022 has not denied this ambiguity. PAC may invite Mr. Faisal Vawda Ex Minister of MOWR, Mr. Shamail Khawaja, Ex Secretary MOWR and Mr. Azam Khan Secretary to PM to resolve this ambiguity, and how the Minister (or who else) prepared the 8 page note on 130 Page IR in one day.**

4. However, MOWR circulated the IC Report signed by the 6<sup>th</sup> member with a note of dissent by Mr. Shaikh Altaf Hussain of NESPAK, on Saturday, 23<sup>rd</sup> February (a closed holiday).

**Note: This allegation of suppressing the IC report of 22 February 2019 is not clarified by MoWR.**

5. The 4<sup>th</sup> item of TORs clearly explains the process of determining the quantum of loss to the exchequer, to fix the responsibility, to perform audit within 2 months, and a third party forensic audit.

**Note: This action was not performed by MoWR though CDWP also asked MOWR to proceed further on the findings of Investigation Report.**

- a) On 18.11.2019, CDWP asked MOWR to Conduct the Performance Audit the by the Auditor General Pakistan, in light of the findings of the Inquiry Committee set up by the Prime Minister.



- b) On 10.2.2020, Mr Safdar Ali Malik, Accounts Officer B&F sent the Investigation Report to the Director General Audit, WR, LAHORE, for taking further necessary action, and a copy of the letter was also sent to AGP.
- c) On 10.3.2020, Ms. Fariha, the Section Officer (Hydropower) sent a letter to Secretary Planning & Development, for not proceeding on IR Recommendations, and directed Director General Audit, WR, LAHORE to return the Inquiry Report, and stated that the letter dated 10.2.2020 hereby stands cancelled.
6. The clarification of MoWR that out of six members, one member wrote a note of dissent is not relevant, as all Six Members are responsible for IR. A 7 member Technical Sub Committee was also constituted, and TSC also submitted same report to IC with 4 Members vote for the TSC Report and 3 members vote were against the TSC report. The decision of majority of Technical Members thus prevails.
- As in the case of many Supreme Court judgments, the majority decision is preferred. For example, in Justice Qazi Faez Issa case C.M.A. NO.7417 OF 2019, the decision was based on majority 6/4 and has been implemented. Similarly, in Zulfiqar Bhutto case Criminal Appeal No. 12 of 1978, the majority decision was based on majority of 4/3, and was implemented.
7. MOWR has stated that Consultancy Contracts of Basha and Mohmand Dam were awarded to NESPAK on competitive basis, as per PPRA Rules, PEC and WAPDA Rules, and member of NESPAK in IR is not Conflict of Interest.

However, attention of Public Accounts Committee (PAC) is drawn to the finding of **Auditor General of Pakistan report 2019-2020 and 2020-2021** in which all the four projects of WAPDA namely; Contract for Consultancy Services for Construction Design, Construction Supervision and Construction Management of Mohmand Dam Project, Contract for Consultancy Services for Construction Design, Construction Supervision and Construction Management of Diamer Bhasha Dam Project, Contract for Construction of Mohmand Dam and Contract for Construction of Diamer Bhasha Dam Project have been declared in violation of PPRA rules with recommendations to take action (**Annex-C & Annex-D**).

**Quote**

**AGP Audit MOWR 2020-21. 1.5.2, Irregular award of contract for procurement of consultancy services for Diamer Basha Dam Project - Rs. 27,182.09 million**

Audit held that initial process for selection was deliberately delayed to change the mode of procurement from QCBS to QBS and criteria for Pre-Requisite for Local Lead Firm was changed for eliminating competition and giving undue favour to NESPAK as lead firm. No short listing or pre-qualification of consultants was carried out for a project of such scale and complexity through the mechanism of EOI.

Audit contended that similar events had occurred in case of award of consultancy contract of Mohmand Dam Hydropower Project where QCBS method was changed with QBS method in pretext of 9/11 events and cost was also increased from Rs.3,599.80 million to Rs.9,981.84 million abnormally. It appears that the same process was repeated in DBDP only to bring local consultants as lead partner. Therefore, award of consultancy agreement needs to be investigated in detail.

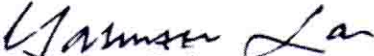
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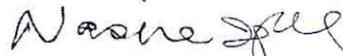
It appears that Federal Minister for Water Resources has misguided the Prime Minister by presenting incomplete facts of the investigation Committee Report, and caused a loss of Rs 131 Billion to Exchequer.



Transparency International Pakistan is striving for across the board application of Rule of Law, which is the only way to stop corruption, and achieve Zero tolerance against Corruption.

With Regards,

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

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

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

1. Auditor General Pakistan, Islamabad
2. Registrar, Supreme Court of Pakistan

**Note:** The information is being requested by TI Pakistan under Article 19-A of the Constitution of the Islamic Republic of Pakistan 1973, which empowers the civil society to seek information and hold accountable public institutions.

Refer to the Lahore High Court Order by Jus. Syed Mansoor Ali Shah in Attaullah Khan Malik vs The Federation of Pakistan (2010 PLD Lahore 605) in which the following observation is given; "Right to information is another corrective tool, which allows public access to the working and decision making of the public authorities. It opens the working of public administration to public scrutiny. This necessitates transparent and structured exercise of discretion by the public functionaries. Article 19A empowers the civil society of this country to seek information from public institutions and hold them answerable. Article 19A, therefore, entuses fresh life into Public Interest Litigation."

# Annex-A

**MOST IMMEDIATE**

**NATIONAL ASSEMBLY SECRETARIAT**  
(Public Accounts Committee Wing)

No. F. 18(1) / 2014-PAC

Islamabad, the 3<sup>rd</sup> February, 2022

Subject: **ALLEGATIONS OF \$753.7 MILLION LOSS DURING THE EXECUTION OF THE PROJECT BY CHAIRMAN WAPDA IN T4HPP – TARBELA DAM PROJECT / COMPLAINT AGAINST SECRETARY MOWR'S INCORRECT RESPONSE RECEIVED FROM PM'S PORTAL BY E-MAIL ON 17<sup>TH</sup> AUGUST 2021, STATING THAT THE PM AGREED WITH MINISTER'S RECOMMENDATION THAT REPORT IS THEREBY RECOMMENDED TO BE CLOSED.**

Dear Madam,

I am directed to refer to your's letter No. TLI21/0823/1A, dated 23.08.2021 regarding above subject and to state that the Ministry of Water Resources has furnished a detailed and para wise report thereof. A copy of same is hereby enclosed for your kind perusal. You are requested to kindly furnish your views/comments on the Ministry's Report to this Secretariat for kind perusal of Honorable Chairman Public Accounts Committee (PAC).

With best Regards,

Yours Sincerely,

  
(SHABBIR AHMAD)  
Section Officer (PAC)  
Tele: 051- 9207809

✓ **Chairperson,**  
The Transparency International – Pakistan  
Plot 72-F/2, 1<sup>st</sup> Floor, 9<sup>th</sup> Street, Jami Commercial Phase VII, DHA,  
**KARACHI.**

Government of Pakistan  
Ministry of Water Resources

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Subject: ALLEGATION TOTAL LOSS OF \$753.7 MILLION (AROUND 100 BILLION) CAUSED TO EXCHEQUER DURING THE EXECUTION OF THE PROJECT BY CHAIRMAN WAPDA IN TUNNEL-4 OF TARBELA DAM PROJECT.

Reference National Assembly Secretariat's letter No. 18(1)/2014-PAC dated 08.12.2021, on the subject cited above.

2. Apropos, response of this Ministry on the observations made by the Transparency International Pakistan is at **Annex-A**.

*[Signature]*  
(Fariha)

Section Officer (Hydropower)

Syed Fayyaz Hussain Shah, Joint Secretary (PAC), National Assembly Secretariat, Islamabad  
MoWR's U. O. No .2(2)/2017-HP, dated Islamabad, January 04, 2021.

2022

Cc:

- Deputy Auditor General (FAO), Audit House, Constitution Avenue, **Islamabad**.
- PS to Secretary, Ministry of Water Resources, **Islamabad**
- APS to Joint Secretary (Water), Ministry of Water Resources, **Islamabad**

Office of the J.S. (PAC) ~~Islamabad~~  
Diary No: 921  
Dated: 06-01-2022

on file pl.

*[Signature]*  
6/1/22

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JS(PAC)

*[Signature]*  
6/1/22

*[Signature]*  
SDS(PAC)

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SP (MRC)

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6.1.2022

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6/1/22  
*[Signature]*  
Supt (PAC)  
5/2022

PAC Branch  
Dy. No. 1027 Dated 7/1/2022

Sr. No.	TIP's Opinion	MoWR Response
i.	The Prime Minister never ordered to close the Investigation.	<p>As quoted by the TIP, the PSPM's letter dated 08-05-2019 states that while considering Investigation Committee's Report for T-4 HPP, the Prime Minister was <u>pleased to agree with the conclusion of the Minister for Water Resources</u>.</p> <p>The Minister for Water Resources, while submitting the IC's Report to the PMO, vide D.O. letter dated 25-02-2019, explicitly proposed as under (Annex-I):</p> <p style="text-align: center;">“The Report having addressed the basic TOR of determining the fact that there is no linkage of Inauguration with suspension of generation, is thereby <i>recommended to be closed.</i>”</p> <p>Thus the Prime Minister's agreeing with the conclusion of the Minister for Water Resources clearly indicated closure of the case and no further action was warranted on MoWR's part.</p>
ii.	The PSPM letter states that that Prime Minister is pleased to agree with the conclusion of the Minister for Water Resources. However, Minister Vawda's DO letter did not recommended the closure of the investigation, and as such the findings of the IC report should have been implemented.	-do-
iii.	If the Prime Minister had ordered to close the enquiry, the subsequent action of MoWR after nine months (Feb 2021 and March 2021) is questionable, which pertains to the withdrawal of the IC Report from DG Audit and for ECNEC to close the enquiry.	ECNEC, while approving PC-I of the Project, directed on the recommendations of the CDWP, that the MoWR would carry out a comprehensive Performance Audit of the Project, as recommended by the IC. In response to this direction, MoWR took the stance that the Performance Audit should be delinked with the approval of the Project. This is a separate matter and the Ministry never requested ECNEC to close the enquiry as the same was already closed by the PMO. However, the ECNEC's directions stand complied with as the Ministry, vide letter dated 12-02-2020, shared the Performance Audit Report conducted by the Auditor General for Pakistan with the Ministry of PD&SI.
iv.	It is pertinent to note that IC Report dated 22.02.2021, was prepared and signed by the highest serving officers, Mr.	It is true that the findings of IC, which comprised of senior most officers of their respective fields, should not be overruled by one person. It is highlighted that the IC in para 7.03 of its report, concluded as under:

	<p>Shamail Ahmed Khawaja (BPS-22), Secretary, Water Resources, Mr. Zafar Hasan (BPS-22), Secretary P&amp;D, (now Secretary Communication), Chairman of the highest regulator of engineering, PEC, Mr. Jawaid Salim Qureshi, Mr. Basharat M. Shahzad (BPS-21), Add. Director General FIA, Syed M Mehar Ali Shah JS Water MOWR and Mr. Shaikh Altaf Hussain of NESPAK, which cannot be overruled by one person, even though he may hold the high office of a federal minister.</p>	<p><i>“However, <u>all members of the IC are of the opinion that the contractual formalities were fulfilled before the Commissioning vis suitability of use of lower intake, partial removal of coffer dam, dry testing. With regard to wet testing two members of IC consider that wet testing was completed successfully according to the Contract even not tested on the full load, while the IC considered it essential component of a meaningful wet testing”.</u></i></p> <p>It is highlighted that three (03) technical members viz. Chairman PEC, JS (Water), MoWR and Sheikh Altaf Hussain, representative of NESPAK were part of the IC. Two of these three members concluded that even wet testing was also completed successfully and thus all the contractual and technical formalities were completed before inauguration (dissent note from Sheikh Altaf Hussain may be referred).</p> <p>Moreover, the IC in paras 7.19-7.24, showed its inability to fix exact responsibility, owing to heavy preoccupation of its members. The Committee submitted that fixing exact responsibility would require detailed interviews of a number of individuals across various organization / entities and examination of a plethora of record spread over a long period of time. The Committee thus recommended that Performance and Forensic audits of the project be conducted by the Auditor General of Pakistan and an independent third party of international repute, respectively. Considering the above submissions, the <u>decision to overrule</u> the IC’s recommendations was taken by the Prime Minister of Pakistan, and not by the Minister for Water Resources.</p>
v.	<p>After signing each page of over to page Investigation Report, Mr. Shaikh Altaf Hussain of NESPAK wrote a 3 page note of dissent, in which besides other objections, he stated that Syed M Mehar Ali Shah JS MOWR and Mr. Sheikh Altaf Hussain of NESPAK both disagree with Para 7.03 of IC Report.</p>	<p>The dissent note is also part of the Investigation Committee’s report and has the same weightage as other findings of the Committee. It should not be treated separately. Moreover, the NESPAK has consistently been providing engineering services for various dams and hydropower projects being executed in the country and worldwide since its establishment. The opinions of two senior most professionals of NESPAK should, therefore, be given due heed and weightage in such a purely technical matter.</p>
vi.	<p>Both Syed M Mehar Ali Shah JS MOWR (posted in MOWR on deputation from NESPAK since several years) and Mr. Shaikh Altaf Hussain, Syed M. Mehar Ali Shah JS MOWR and Mr. Shaikh Altaf Hussain are employee of NESPAK,</p>	<p>Inter-agency transfers and posting is a useful practice frequently followed by various government organizations for utilizing the best human resource available as per their needs. The practice is fully covered under respective laws / rules / procedures.</p> <p>It is further apprised that the IC was constituted by the Prime Minister himself comprising a representative from NESPAK, and the MoWR has nothing to do with its composition. NESPAK is a state-owned enterprise and engineering resource, with the technical expertise that were required for</p>



which in 2018 was in process for bidding for the Consultancy Contracts of WAPDA, for Mohamand Dam and Basha Dam.

conducting a meaningful probe. Inclusion of NESPAK's representation in the IC was thus by no means a case of conflict of interests. Regarding Consultancy Contract of Diامر Basha Dam Project, it is highlighted that it was awarded through competitive bidding in accordance with applicable law, rules and policy, as enunciated by PPRA, PEC and WAPDA's Procurement Manual.

  
(Fariha)

Section Officer (Hydropower)



23rd August 2021

TL21/0823/1A

Muhammad Azam Khan,  
Principal Secretary to the Prime Minister of Pakistan,  
Prime Minister House,  
Islamabad.

**For Attention of Prime Minister**

**Subject: Allegations of \$753.7 million loss during the execution of the project by Chairman WAPDA in T4HPP-Tarbela Dam Project.**  
**Complaint against the Secretary MOWR's incorrect Response received from PM's Portal by email on 17 August 2021, stating that the PM agreed with Minister's recommendation that report is thereby recommended to be closed."**

Dear Sir,

Transparency International Pakistan on 17th August 2021 has received email from Pakistan Citizen Portal support.pmdu@pmo.gov.pk, **Annex-A**, informing that Secretary, Water Resources has closed your complaint (quoted below), on TI Pakistan letter no. TL21/0714/1A dated 14.7.2021, **Annex-B**, sent to the Prime Minister, stating that TI Pakistan do not agree with MOWR stand, that the Prime Minister ordered the inquiry to be to be closed on 8.5.2019.

**Quote**

"Following Officer (Secretary Water Resources) closed your complaint code (IS140721-88719364) with following status (Relief Granted). Please see the remarks."

**Unquote .**

At the outset, this is to state that the complaint of TI Pakistan dated 14.7.2021 was on the contradictory actions/clarifications taken by MoWR after 22.2.2019, on the Investigation Report of 22.2.2019, given in different letters quoted in para 7 below, by Secretary and other officers of Ministry of Water Resources, and now Secretary of MOWR has stated that on 8.5.2019 Prime Minister ordered the inquiry to be closed (which statement as can be seen is incorrect as per documents submitted in this letter **Annex-C**).

As the issue involves the officers of MOW R themselves, the Secretary of Water cannot be judge in his own cause, as it is against the principle of natural justice that no person can judge a case in which they have an interest.

Following issues related to Investigation Report dated 22.2.2019 needs to be probed by the Prime Minister's office.

1. On 5.9.2018 the News International published report that Premature Tarbela-IV launch has cost Rs25 bn. However, the Ministry of Water Resources is now considering to constitute an investigation committee to ascertain responsibility, a spokesman told The News. According to the sources, the Ministry of Water Resources was kept in the dark by WAPDA and the Ministry had reacted belatedly to media reports. The news report said that the Ministry had sought an explanation from WAPDA on August 29, 2018, and found its response, received on Monday, 3<sup>rd</sup> September 2018, to be unsatisfactory. Immediately after, the Ministry again wrote to WAPDA in an attempt to get to the bottom of the issue.



2. Office of the Prime Minister vide letter No. 3493/M/SPM/18 dated 5th & 6th September 2018 conveyed that the Prime Minister appointed a 6 member Investigation Committee headed by Secretary, Water Resources and including Secretary Planning, Development & Reforms, Additional Director General (FIA), representative of Pakistan Engineering Council, representative of NESPAK, and Joint Secretary MOWR as its members, with the following TORs.

- a). To examine whether the project was inaugurated in time or before the completion of all formalities.
- b). To assess whether any loss to national exchequer occurred due to the inauguration of the project before time.
- c) To identify those responsible for making the decision of inauguration before completion of all formalities if a loss to the national exchequer occurred, and
- d) To fix responsibilities and propose action.

3. The Investigation Committee conducted the investigation under the Prime Ministers Orders and completed the Investigation Report on 22.2.2019 and gave the following findings on the 4 TORs.

a) **IC Para 7.14.** "In the circumstances discussed above, the IC is of the opinion that the project was inaugurated before the completion of all formalities".

b) **IC Para 7.16 (xviii).** "All the members of the IC have unanimously determined that the sum total of loss occurred during the execution of this project on the above referred count comes to US\$753.7 million (\$350 million estimated and projected by Wapda for the years 2017 & 2018, \$48 million paid to the civil contractor on account of acceleration under the VO-02 R2 and \$5.7 million under CO-10). Besides, another loss of Rs70 million incurred by Wapda to lift the gates of draft tubes stuck in the mud after the refusal of the civil contractor".

c) **IC Para 7.18.** "Notwithstanding the above, it is also determined from the statements of M(P), Adviser Projects WAPDA, CE (O&M) and the PD T4HPP, that the date of inauguration was made without their consultation and also not at the Authority level of WAPDA, rather it was done at the level of Chairman WAPDA".

d) **IC Para 7.2** the IC proposes following action in this regards.

i) Necessary directions may be issued to the Auditor General of Pakistan for holding a comprehensive performance audit of T\$ HP within 60 days for determination of the following, among others, to carry out:

- a) An overall performance audit of the project.
- b) Specific to the matters spelled out and losses worked out vide para 7.16 above
- c) By fixing responsibility and apportioning the corresponding loss caused by the respective individual/entities.
- d) Any other matter relating to or/and ancillary to the above.

ii) In the light of the report of the performance audit, the decision for any criminal inquiry into the matter by FIA or NAB may be decided.

III) Forensic audit of the T4HP project by an independant third party of international repute having no financial interest involved with WAPDA.

4. Secretary, MOWR, who was also the Chairman of the IC and five members of the Committee finalized and signed the IC Report on 22.2.2019 and the Chairman sent the report to PSPM on



same day 22.2.2019, except the 6th member, as Mr. Shaikh Altaf Hussain Rep of NESPAK, who was in Lahore. IC Para 2.09 quoted. **“Besides above, due to indisposition of one IC Member Shaikh Altaf Hussain (SAH) and his inability to travel from Lahore to Islamabad and join the proceedings of the IC regarding final drafting and compilation of IC Report, the remaining five members continued deliberations, consultation and onerous task to come up with the consensus from 18<sup>th</sup> to 21<sup>st</sup> February 2019, often from evening till 2.00 am next day and until 6.00 am on occasions”.**

5. However, Mr. Shaikh Altaf Hussain sent an email to Chairman IC2 on 22.2.2019, stating that he does not agree with the IC Report. Mr. Shamail Ahmed Khawaja, who was retiring on Friday 22<sup>nd</sup> February 2019, as per requirement of the TOR and procedures, sent the Investigation Report with email of dissenting note of 6th IC Member, through two officers of MOWR and delivered the report the same day to the PSPM Office by 4.45 pm. We would like point out that similar procedure was used for the Sugar Inquiry Commission Report submitted on (9.3.2020) to the Prime Minister by Chairman of the Inquiry Commission DG FIA Mr. Wajid Zia, and not by the Ministry of Interior nor any recommendations to PM were made by the Minister of Interior. **Annex-D**.

5. As Saturday 23<sup>rd</sup> and Sunday 24<sup>th</sup> February, 2019 were holidays, and MOWR was without any Secretary, who had already retired, however, the IC Report had already been sent on 22<sup>nd</sup> February 2019 to PSPM by Chairman IC, who authorized any officer of MOWR to send to PSPM on Sunday 24<sup>th</sup> February 2019, the IC Report, which was signed by the 6th Member on 23<sup>rd</sup> February 2019, one day after the report was submitted.

6. The Minister of Water Resources, on receipt of IC Report on 24<sup>th</sup> Feb 2019, wrote a one page note to PSPM, along with a 10 page evaluation brief given by MOWR. In our view, the Minister should have taken the brief from the 6-member IC Committee, who by a majority decision had given detailed reports on the 4 TORs.

7. The Minister letter to PSPMs did not recommend to close the Investigation Report, as stated by Secretary, MOWR in their response on 17 August 2021. The following contradictory statements prove that no such recommendations were given by the Minister, nor accepted by the PM.

In the MOWR letter of 10 March 2020, different clarifications on PM's letter were given to Secretary Planning & Development. It was stated that “The Honorable PM, while considering the IC Report of T4 HPP agreed with the conclusions of the Federal Minister and returned the IC report in original vide PM Office letter No. 2(2)/DS(DS(Ext-1)/20119 dated 08-05-2019 (copy attached) without directing to take any further action; thus implying closure of the Inquiry.”

On 8 July 2021 MOWR took a different stand, saying that “it is important to highlight that the Investigation Committee was constituted on Prime Minister's orders, who instead of approving the Committee's above mentioned recommendations returned the report in original, on 8<sup>th</sup> May, 2019, without any directions, which implied closure of the case. Initiating any further action on recommendations was thus beyond this Ministry's mandate.”

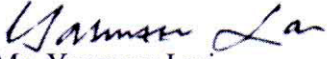
8. The IC Report dated 22.2.2021, was prepared and signed by the highest serving officers, Mr. Shamail Ahmed Khawaja (BP 22), Secretary, Water Resources, Mr. Zafar Hasan (BPS 22), Secretary P&D, (now Secretary Communication), Chairman of the highest regulator of engineering, PEC, Mr. Jawad Salim Qureshi, Mr. Basharat M. Shahzad (EPS 21), Additional Director General FIA, Syed M Mehar Ali Shah JS MOWR and Mr. Shaikh Altaf Hussain of NESPAK, cannot be overruled by one person, may he be a minister.

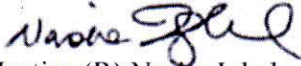


Prime Minister of Pakistan is requested to examine the TI Pakistan comments and opinion on the MOWR letter, IC Report dated 22.2.2019, MOWR letter on Feb and March 2022, and the MOWR stand, that the Prime Minister ordered the inquiry to be closed on 8.5.2019. A detailed action may be taken to find why MOWR has blamed the PM for ordering to close the inquiry.

Transparency International Pakistan is striving for across the board application of Rule of Law, which is the only way to stop corruption, and achieve Zero tolerance against Corruption,

With Regards,  
With Regards,

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

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

**Encl: Annex-A,B,C &D.**

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

1. Chairman, Public Accounts Committee, NA, Islamabad.
2. Chairman, National Accountability Bureau (NAB), Islamabad
3. Secretary, MOWR, Islamabad,
4. Auditor General Pakistan, Islamabad
5. Registrar, Supreme Court of Pakistan

**Note:** The information is being requested by TI Pakistan under Article 19-A of the Constitution of the Islamic Republic of Pakistan 1973, which empowers the civil society to seek information and hold accountable public institutions.

Refer to the Lahore High Court Order by Jus. Syed Mansoor Ali Shah in Attaullah Khan Malik vs The Federation of Pakistan (2010 PLD Lahore 605) in which the following observation is given; "Right to information is another corrective tool, which allows public access to the working and decision making of the public authorities. It opens the working of public administration to public scrutiny. This necessitates transparent and structured exercise of discretion by the public functionaries. Article 19A empowers the civil society of this country to seek information from public institutions and hold them answerable. Article 19A, therefore, enthruses fresh life into Public Interest Litigation."

**Audit Report 2019-2020****Management Response**

The matter was taken up with the management in November, 2019 and reported to the Ministry in December, 2019. The management replied that there was no such delay in award of contract which may directly affect the commissioning of the project. The work would be commenced by the contractor keeping in view the revised consolidated schedule for civil and E&M works.

The reply was not tenable because delay in award of contract was not justified and objected by the World Bank.

The DAC in its meeting held on January 10-11, 2020 directed the GM (M&S) WAPDA to conduct a fact finding inquiry and submit its report within two months. No further progress was intimated till finalization of Audit Report.

**Audit Recommendations**

Audit recommends the management to implement DAC's decision besides fixing responsibility.

*(DP No.703/2019-20)*

**1.5.2 Award of contract without rate comparison as required under PPRA and without international public notice – Rs.183,523.48 million**

As per clarification of PPRA to question No.12 “whenever a procuring agency is confronted with such a situation whereby the rate quoted by the single bidder cannot be compared so as to declare it as the lowest rate or otherwise, it may make a prudent decision. While making a decision, the following factors may be kept in view:

- a. The comparison of price of the goods, works or services, if procured during the current financial year.
- b. Market price of the goods, works and services to be procured.
- c. In case abnormal increase in prices is observed, the procuring agency may like to re-advertise the procurement opportunity, if time permits. Re-advertisement would be a preferred option.

Further, according to Clause-1.5 (iv) of WAPDA Procurement and Contracts Manual, “for projects which include procurement on the basis of ICB, the advertisement shall be published in foreign newspapers, journals and

websites. Such invitations may also be forwarded to embassies and trade representatives of countries of likely suppliers and contractors”.

In the office of General Manager / Project Director, Mohmand Dam Hydropower Project, it was noticed that WAPDA advertised an open invitation for bids on November 23, 2017 for the construction of civil works including design, supply and installation of electrical & mechanical works and hydraulic steel structures. In response, two Joint Ventures namely M/s CGGC-DESCON (JV) and M/s FWO-Power China (JV) submitted their bids upto closing date. As per Technical Evaluation Report, M/s FWO-Power China (JV) was declared “technically non-responsive” and their financial bid was returned un-opened. M/s CGGC-DESCON (JV) was technically qualified and their financial bid was opened and after evaluation and correction, total bid price was finalized as Rs.201,523.48 million against the PC-I estimates of Rs.163,680.82 million. However, the bidder further reduced / discounted his bid from Rs.201,523.48 million to Rs.183,523.48 million. Scrutiny of the evaluation report and discounted bid prices of various components of the contract work revealed that the bid prices of three out of four components i.e. Lot-1 (access roads and project colony), Lot-2 (main dam works), Lot-3 (irrigation works) were substantially at higher side as compared to PC-I estimates / ECNEC approved cost, at 31.88%, 26.73% and 8.31% respectively, except component of Lot-4 (supply and installation of E&M works) which was 27.87% below the PC-I estimates. However, as per Para-1.6 of Annexure-I to the Financial Evaluation Report, the main reason for decrease in adjusted price bid for Lot-4 (E&M works) was the fact that the bidder had proposed Chinese Origin Manufacturers for almost all of the plants. Furthermore, different civil work costing Rs.6,038.67 million under Lot-1 were awarded on lump sum job basis without any detailed measurement, containing basic unit price and basic quantity unit. In the absence of detailed measurement of the works and detailed quantity and basic unit rate, reasonability of rates for a work / job could not be ascertained. As per ECNEC’s approval, the ratio of payment in US\$ was 34.29% whereas as per bid price, the ratio was 49.38% thus, percentage ratio of US\$ in the bid price was also increased from ECNEC’s approved ratio by 15.09%. As such the Employer would pay Rs.27,701.22 million more in US\$ instead of local currency and in addition, a huge amount would also be paid in the currency rate conversion loss.

reported to the Ministry in September, 2019. The management replied that number of events took place like rock burst, water ingress, flash floods, etc. which were beyond the control of the contractor. The Engineer had yet to issue final determination on EOT and liquidated damages could not be imposed without decision of the Employer on EOT cases.

The reply was not tenable because LD was required to be imposed on the contractor on account of delay in completion of work.

The DAC in its meeting held on November 15, 2019 directed the management to expedite the determination of Engineer's decision and impose the liquidated damages accordingly. No further progress was intimated till finalization of Audit Report.

### **Audit Recommendations**

Audit recommends the management to implement the DAC's decision.

*(DP No.189/2019-20)*

#### **1.5.7 Loss due to violation of the Procurement of Consultancy Services Regulations, 2010 – Rs.6,382.04 million**

According to Para A (i) of the Procurement of Consultancy Services Regulations, 2010, "Quality Based Selection (QBS) method will be used for highly specialized and complex assignments, where quality is the only factor taken into consideration provided that any procuring agency desirous of using Quality Based Selection (QBS) as a method of procurement shall record its reasons and justifications in writing for resorting to this method and shall place the same on record".

In the office of General Manager / Project Director, Mohmand Dam Hydropower Project, Expression of Interest (EOI) for procurement of consultancy services for construction design, construction supervision and contract management through International Competitive Bidding (ICB) was advertised on May 05, 2017. As per advertisement, EOI was invited from the local / foreign consulting firms / Joint Ventures (JVs) and Selection Criteria was Quality and Cost Based Selection (QCBS). Eight (08) lead firms / JVs submitted their proposals by due date and four JVs obtaining the minimum score of 70% were shortlisted and approved by the Authority for issuance of RFP on October



## **Audit Report on the Accounts of Ministry of Water Resources and its Entities Audit Year 2020-21**

According to the Establishment Division's notification, the federal government is pleased to appoint Lt.Gen (Retd) Muzammil Hussain as Chairman WAPDA under the Ministry of Water and Power from 24-08-2016. The Division's notification of even number dated 23-08-2016 is hereby withdrawn ab initio. The new notification has been issued by the Establishment Division on May 15, 2017. PM had appointed Hussain as Chairman on August 23, 2016. Later, the appointment of Chairman WAPDA had been challenged in court. The court had asked the govt to take approval of appointment of Hussain from the cabinet.

The newly created MoWR ( in August 2017 ) is not geared up to handle policy initiatives, both in terms of human resource and technical expertise. Instead of bringing in suitable resources, the affairs of the ministry are being run by the borrowed staff.

In WAPDA, the important positions of Member (Water) and Member (Power) are being managed on *ad hoc* basis since 2017 leading to indecisiveness and lack of ownership. Significant issues were observed in project implementation and contract management in WAPDA, the only organization mandated to execute water sector projects.

An opportunity available to the ministry for capacity building was largely lost due to mismanagement of World Bank's funded financial assistance in the shape of Water Sector Capacity Building and Advisory Project which resulted in diversion of US\$ 25 million out of US\$ 35 million. Crucial component for addressing water measurement and distribution disputes, the Telemetry System, could not be installed by IRSA despite availability of funds for 11 years. Water conservation and flood mitigation measures remained maned with inaction by the Provincial Governments despite release of funds by FFC.

Most of the projects are stuck during the initial phase of land acquisition. Estimates are prepared on outdated

WCSR which, in turn, become irrelevant due to delays in approval of PC-I and award of contracts. Resultantly, contracts are awarded on exorbitantly higher percentages, sometimes even more than 100%, than PC-I estimates which eliminates the factor of adequacy of awarded price vis-a-vis approved estimates. Some of the related cases are tabulated below:

(Rs. in million)

Sr. No.	Name of Project	Amount of Contract	Amount of PC-1	Amount more than PC-I	%above PC-I
1.	Diامر Basha	442,402.79	336,500.00	105,902.79	31.47
2.	Dasu Hydropower	30,803.77	13,496.90	17,306.87	128.00
3.	Mangla Refurbishment	1,683.86	648.00	1,035.86	160.00
4.	RMM, Muzaffargarh	3,134.47	1,368.25	1,766.22	129.00
5.	RMM, Muzaffargarh	2,965.60	1,422.42	1,543.18	108.00

Later on, the impact of defective designing becomes visible in the shape of excessive increase in BOQ quantities and variation orders, sometimes resulting into more cost than original contract price.

#### A. Procurement Management

##### 1.5.1 Irregular award of contract of Diامر Basha Dam Project in violation of bid evaluation criteria I PPRA Rules - Rs.442,402.79 million

During audit of accounts of the General Manager (GM) I Project Director (PD), Diامر Basha Dam Project (DBDP) for the period from July, 2019 to June, 2020, it was noticed that the prequalification process for award of construction of main dam (MW-1) of DBDP was annulled on January 31, 2019. Later on, WAPDA invited bids through advertisement in local Newspapers as well as on WAPDA and PPRA Website on June 02, 2019 without resorting to the prequalification process. In response, two Joint Ventures i.e. M/s CGGC-GRC (N) and M/s PowerChina-FWO (N) submitted their bids up-to closing date i.e. August 21, 2019. After evaluation of technical bids, bid of M/s PowerChina-FWO (N) was declared technically qualified for the subject works and the contract was awarded at contract price of Rs.442,402.79 million on May 13,

2020 against PC-I provision of Rs.336,500 million (31.47% above PC-I provision) and that too after voluntary discount of Rs.12,000 million.

Following irregularities were observed in award of the contract:

- As per Clause-2.5.1 of Eligibility and Qualification Criteria, each local partner must have carried at least one water sector Project (Dam, Hydropower, Canal, Irrigation & Barrage etc.) amounting to Rs.3 billion within last 20 years. The local N partner i.e. M/s FWO was considered qualified on

the basis of completion of contract No.GZD-02 (pertaining to Dam & Hydropower Component, Irrigation & Flood Component and Security Component of Gomal Zam Multipurpose Dam Project). As per available record, the Dam & Hydropower Component was carried out by the sub-contractor M/s Sinohydro Corporation, whereas, Irrigation & Flood Protection component was carried out by the sub-contractor M/s AREAA Constructions and M/s FWO only undertook the security component @ Rs.15 million per month. This fact was also mentioned in the Technical Evaluation Report of Mohmand Dam Hydropower Project where M/s FWO was declared non-responsive on the basis of this experience. Moreover, powerhouse completed by the M/s Sinohydro

Corporation (sub-contractor of FWO) was not working satisfactorily since issuance of Taking-Over Certificate (TOC).

- *M/s PowerChina* had no valid provisional *I* standard PEC License in the relevant category at the time of submission of bid as required under Clause-3.1 of bidding documents and they had only submitted application for PEC license. In the previous annulled process of Invitation for Prequalification, *M/s PowerChina* was declared ineligible on the basis of, inter alia, non-submission of PEC license.
- As *M/s PowerChina-FWO (N)* had not fulfilled the bid evaluation criteria, therefore, their bids should have been rejected as required under Rule-36(b)(v) of PPRA Rules, 2004 but instead of rejecting their technical proposal, the contract was awarded to them by extending undue favour.

It was further observed that the contract of Keyal Khwar Project amounting to Rs.14,544 million was also terminated by the WAPDA due to default of the contractor i.e. *M/s Sinhohydro Group Ltd.* (new name Power Construction Corporation of China, Limited) but this fact was not considered at the time of bid evaluation. Audit held that despite non-fulfillment of aforementioned 'must meet requirements' by the single qualified bidder and in the absence of international competitive bidding and advertisement in violation of Procurement and Contract Manual of WAPDA, award of the project of such scale *I* complexities at 31.47% higher than PC-I cost to technically unqualified bidder was irregular. Neither due diligence was carried out in technical evaluation nor fair competition was ensured to ascertain the competitiveness of bid price which was undue favour to the JV partners especially in the wake of their poor past performance in WAPDA projects.

### **Implication**

Non-adherence to the bid evaluation criteria *I* PPRA Rules and without international public notice in violation of WAPDA Procurement and Contract Manual resulted in irregular award of contract amounting to Rs.442,402.79 million during the FY 2019-20.

### **Audit Recommendations**

Audit recommends that the matter needs to be investigated at apex level for fixing responsibility for award of contract in violation of bid evaluation criteria *I* PPRA Rules and at non-competitive price without accurate publicity.

#### **1.5.2 Irregular award of contract for procurement of consultancy services for Diamer Basha Dam Project-Rs.27,182.09 million**

, Diamer Basha Dam Project for the period from July, 2019 to June, 2020, it was noticed that Expression of Interest (EOI) for procurement of Consultancy Services for Construction Design & Drawings, Construction Supervision and Contract Administration through ICB was advertised on December 31, 2016 in leading national newspapers and also on WAPDA website with QCBS (90:10) method. The last date for submission of EOI was February 15, 2017 and six (06) firms *I*JV submitted their proposals by due date. The evaluation committee recommended three (03) *Ns* for further evaluation and RFP documents were issued to

### **1.5.2 Irregular award of contract for procurement of consultancy services for Diامر Basha Dam Project – Rs.27,182.09 million**

- According to Regulation-3A(ii) (a & b) (Procedure for Selection under the Quality Based Selection) of the Procurement of Consultancy Services Regulations, 2010, a request for Expression of Interest (EOI) as laid down in Regulation-5 is advertised to invite interested applicants or firms to contest. A Request for Proposals (RFP) shall be prepared and sent to shortlisted consultants selected following the laid down criteria.
- As per Rule-30 of PPRA Rules, 2004, all bids shall be evaluated in accordance with the evaluation criteria and other terms and conditions set forth in the prescribed bidding documents.
- As per Regulation-10 of the Procurement of Consultancy Services Regulations, 2010, the committee of the procuring agency may negotiate with the highest ranked bidder regarding methodology, work plan, staffing and special conditions of contract. Provided that negotiations shall not seek changes in the rates quoted by the bidder in accordance with restriction imposed on financial negotiations under Rule-40 of the Public Procurement Rules, 2004.
- As per Clause-8.4.6 of Procurement and Contract Manual of WAPDA, financial negotiations shall include clarification of the consulting firm's (or each partner) tax liability in the country of the investment, and how this tax liability has been or would be reflected in the agreement.
- According to PC-I of the DBDP (Dam Part) approved by the ECNEC on April 17, 2018, there was a provision of Rs.11,000 million (excluding escalation factor) for consultancy services for Phase-I and PC-I for Phase-II has not yet been approved.
- As per office order issued by the Secretary WAPDA on April 26, 2018, without ensuring availability of finance, no purchase or procurement should be initiated.
- As per Regulation-11 of the Procurement of Consultancy Services Regulations, 2010, the consultants selected and awarded a contract shall be liable for consequences of errors or omissions on its part. The extent of

liability of the consultant should be incorporated in the contract and in no case should it be less than remuneration excluding the out of pocket expenses, nor should the liability exceed twice the remunerations.

- As per Rule-32 (discriminatory and difficult conditions) of PPRA Rules, 2004, save as otherwise provided, no procuring agency shall introduce any condition, which discriminates between bidders or that is considered to be met with difficulty.

During audit of accounts record of the GM / PD, Diamer Basha Dam Project for the period from July, 2019 to June, 2020, it was noticed that Expression of Interest (EOI) for procurement of Consultancy Services for Construction Design & Drawings, Construction Supervision and Contract Administration through ICB was advertised on December 31, 2016 in leading national newspapers and also on WAPDA website with QCBS (90:10) method. The last date for submission of EOI was February 15, 2017 and six (06) firms / JVs submitted their proposals by due date. The evaluation committee recommended three (03) JVs for further evaluation and RFP documents were issued to these JVs on November 03, 2017. Out of three (03), two (02) JVs i.e. M/s Lahmeyer International (Lead Firm) and M/s Mott MacDonald, UK (Lead Firm) submitted their Technical and Financial Proposals up to due date i.e. March 28, 2018. The technical evaluation committee evaluated the technical proposals of both the JVs and M/s Lahmeyer International in joint venture with other firms got 81.5/90 of technical score, whereas, M/s Mott MacDonald in joint venture with other firms (including M/s NESPAK) got 73.8/90 of technical score. The technical committee in May, 2018 recommended Authority to approve ranking of technical evaluation and allow the committee to open the financial proposals of two (02) technically qualified joint ventures. After technical evaluation, Director (contracts) WAPDA vide letter No.GM/DBDP/W-10.12/787-88 dated June 21, 2018 sent Item Note to Secretary WAPDA for obtaining approval of Technical Evaluation Report from Authority. However, Secretary WAPDA office vide letter No.WAPDASectt/Coord/03005/MTG/6059 dated July 23, 2018 returned the Item Note for record. Later on, the Authority, in its meeting held on September 28, 2018 accorded approval for discontinuation of process and returning financial proposals of both the consultant JVs, being time barred. Thereafter, Authority in its meeting held on October 03, 2018 accorded

approval for engagement of consultants through RFP on QBS method with Local Firm as Lead Role on the plea of previous poor experience with foreign firms in Lead Role after 9/11 and that local firms would safeguard national interest and had sustained ownership. The RFP under QBS method was invited on October 23, 2018 which was opened on December 26, 2018 and only one Joint Venture M/s Diamer Basha Consultants Group (DBCAG) with M/s NESPAK as Lead Firm submitted the technical and financial proposal. After technical and financial evaluation, consultancy agreement was awarded to M/s DBCAG at a cost of Rs.27,182.09 million on May 11, 2020 for Phase-I & Phase-II. Following irregularities were observed in award of the contract:

- The initial process of hiring of consultants was deliberately delayed as Item Note was submitted for approval of Authority on June 21, 2018 well before expiry of validity of proposals i.e. September 24, 2018. As per record, no request was made to the technically evaluated consultants for extension in their bid validity but M/s Lahmeyer International vide letter dated September 26, 2018 extended their bid validity until December 31, 2018 and their request was turned down by the management. Moreover, method of procurement under QCBS was changed to QBS without assigning any cogent reasons.
- Request for proposal was called without inviting Expression of Interest (EOI) for QBS method as required under Regulation-3A(ii) (a & b) Procurement of Consultancy Services Regulations, 2010.
- The financial proposal submitted by the single bidder was not as per the format provided in the RFP documents (Model Form-I). The prescribed percentages of remuneration charges provided in the bidding form were not adhered to by the bidder in its bid. Multiple negotiations were made with the consultants to finalize the consultancy cost and after eighth negotiation meetings, the consultancy cost for Dam Part was reduced from Rs.29,347.65 million to Rs.15,754.81 million and for Powerhouse Part was reduced from Rs.17,791.88 million to Rs.11,564.89 million. This was done in violation of Regulation-10 of Procurement of Consultancy Services Regulations, 2010 and Clause-8.4.6 of Procurement & Contract Manual of WAPDA.

- The contract was awarded without seeking complete audited financial statements of the firms showing provision of basic remuneration and true copies of salary slips / tax returns of employees to substantiate the actual rates of remunerations & other charges as required under Clause-1.3 and Sample Form in Section-4 of RFP. Moreover, some positions against permanent employees were nominated without names, hence, their status with consultancy firms (permanent / non-permanent), relevant experience and actual remuneration rates could not be verified. WAPDA itself noted in its negotiation report vide para-27(viii) that some of the documents to verify the status of personnel, payroll sheets, social charges, company overheads and various allowances were not provided by the consultants in spite of repeated requests. It showed that bid was not evaluated as per Rule-30 of PPRA Rules which required that all bids shall be evaluated in accordance with the evaluation criteria but the contract was awarded in the absence of mandatory documents to verify the financial aspects of the proposal.
- The contract for consultancy services was awarded for two parts (Dam Part & Powerhouse Part), whereas, PC-I of only Dam Part was approved and its contract was awarded. Neither PC-I of Powerhouse was approved nor its contract was awarded which showed that the consultancy contract for Powerhouse Part was awarded in violation of PC-I's provisions and instructions of Authority dated April 26, 2018.
- M/s NESPAK vide letter dated November 02, 2018 requested to change the Clause-21.1 (Pre-Requisite for Local Lead Firm) of RFP on the plea that the criteria provided in the RFP was inadequate and should be enhanced. The management (including all Members) in meetings held on November 19 & 21, 2018 decided to fix minimum limit of 30% of key positions for local persons and 10% share of lead firm in key positions (local persons). It is worth mentioning here that the project management while submitting Item Note, changed the 30% limit with 40% limit at their own and got it approved from the Authority. Member (Finance) WAPDA also showed his reservations over fixation of this limit under QBS method. Moreover, length of the required experience of the staff was also reduced on the request of M/s NESPAK. The change in Clause-



21.1 (Pre-Requisite for Local Lead Firm) was made just to extend undue favour to M/s NESPAK (being large consultancy firm) in violation of Rule-32 (Discrimination and Difficult Condition) of PPRA Rules, 2004.

- Extent of liability of the consultants was reduced to Rs.1,000.00 million on the request of M/s DBCG instead of at least equal to the remuneration i.e. Rs.23,019.25 million to a maximum of twice the remuneration i.e. Rs.46,038.50 million as required under Regulation-11 of the Procurement of Consultancy Services Regulations, 2010.

Audit held that initial process for selection was deliberately delayed to change the mode of procurement from QCBS to QBS and criteria for Pre-Requisite for Local Lead Firm was changed for eliminating competition and giving undue favour to NESPAK as lead firm. No short listing or pre-qualification of consultants was carried out for a project of such scale and complexity through the mechanism of EOL. Despite repeated negotiations in violation of PPRA Regulations, the remuneration rates of consultants contained in the financial bid of the single bidder could not be finalized due to non-provision of mandatory documents, as such, value for money could not be achieved. Audit further held that award of consultancy services for Power House component without its approved PC-I was irregular.

#### **Implication**

Non-adherence to aforementioned rules / conditions resulted in irregular award of contract amounting to Rs.27,182.09 million for procurement of consultancy services during the FY 2019-20.

#### **Management Response**

The matter was taken up with the management and reported to the Ministry in November, 2020. The management replied that:

- Initial process of Consultancy Services was not delayed deliberately but on directions of inquiry committee constituted by the Prime Minister Office to blacklist M/s DBC led by M/s Lahmeyer International and M/s Lahmeyer International extended the bid validity after its expiry.
- QBS method was most appropriate for DBDP due to its complexities.

- As per Procurement of Consultancy Services Regulations, 2010, there was no bar on calling RFP without EOI.
- Only extra allowances were discussed with consultants and no basic rates were negotiated.
- A condition has been included in the contract for verification of rates at the time of First Invoice for which a committee had been constituted.
- It was not possible to award consultancy agreement of technically complex project to different consultants for Dam Part and Powerhouse Part separately as these components are interlinked. The Phase-II will commence after written instructions by the Client.
- WAPDA Authority in its meeting held on October 03, 2018 accorded approval for inclusion of condition of local persons in key position as 40%.

Audit contended that similar events had occurred in case of award of consultancy contract of Mohmand Dam Hydropower Project where QCBS method was changed with QBS method in pretext of 9/11 events and cost was also increased from Rs.3,599.80 million to Rs.9,981.84 million abnormally. It appears that the same process was repeated in DBDP only to bring local consultants as lead partner. Therefore, award of consultancy agreement needs to be investigated in detail.

The DAC in its meeting held on December 17-19, 2020 directed the management to justify award of Consultancy Agreement in the light of audit observation along with supporting documents within one month. No further progress was intimated till finalization of Audit Report.

#### **Audit Recommendations**

Audit recommends that the matter needs to be investigated at apex level for fixing responsibility of award of contract in violation of rules / conditions of bidding documents.

*(DP No.342/2020-21)*

#### **1.5.3 Irregular award of contract for construction of road in violation of bidding conditions – Rs.4,097.34 million**

According to Clause-4.1 of the General Conditions of Contract provided