

29th July, 2021

TL21/0729/1A

Mr. Saeed Ahmed Awan,
Secretary,
Public Health Engineering & Rural Development Department,
Government of Sindh,

SUBJECT: Allegation of Violation of SPPRA Rule in Awarding Contract for Rehabilitation, Operation & Maintenance of 623 RO Plants in Tharparkar, 2 MGD RO Plants at Misri Shah and 1 RON plant 1.5MGD at Islamkot, causing loss of over Rs.1 Billion.

Clarification received on 12 July 2021, vide your letter dated 30 June 2021, with Chief Engineer and Executive Engineer dated 22 June 2021 and allegation of more Corruption of Rs 0.28 Billion in funds of Maintenance of RO Plants in Mirpurkhas Division

Dear Sir,

Transparency International Pakistan in response to its letter dated 18.6.2021 sent on the allegation of Rs 1 Billion corruption in RO Plant Contracts, has received the clarification from your office on 12 July 2021, vide letter dated 30 June 2021, along with letter of Chief Engineer and Executive Engineer dated 22 June 2021, and also received another allegation of **Corruption of Rs 0.28 Billion**, in funds of Maintenance of RO Plants in Mirpurkhas PHERD Division. **Annex-A**

After examining the clarifications, TI Pakistan assumes prima facie the following allegation seems to be true.

“ Violation of SPPRA Rules 2010 in awarding a contract for Rehabilitation, Operation & Maintenance of 623 RO Plants in Tharparkar, 2 MGD RO Plants at Misri Shah and one RON plant 1.5MGD at Islamkot, resulting in a loss of over Rs.1 Billion.”

TI Pakistan comments on letter of Chief Engineer and Executive Engineer dated 22 June 2021 are given below.

1. The Annexure A,B,C,D and E of CEC letter dated 22.6.2021 have not been attached with your letter dated 12.7.2021.

TIP Note: Deliberate suppression of documents Annexures A,B,C,D,E is another attempt to hide the facts.

2. EE and CE in Para 1 have stated that under SPPRA Rule No. 48, single bid is valid.

TIP Note: This rule is applicable only under three conditions, “when only one bid is submitted, the bidding process may be considered valid, if the bid is advertised in accordance with rules, and prices are comparable to (a) (PC -1 Cost or financial estimates) (b) the prices or rates of the last awarded contract or (c) on the market prices.”.



EE & CE in Para 3 have stated that PC-1 was not prepared, and "**the rate analysis**" was duly approved by the Honorable Chief Minister.

This clarification of EE and CE is another proof of violation of Rule 48, as the Chief Minister never approves any rate Analysis for Project, which is as per procedure, is the responsibility of EE, SE, CE & P&D Department.

CE and EE knowing their fault of not awarding the contract on the prices or rates of the last awarded contract, or market prices, now are shifting the responsibility of wrong award, and even the responsibility of preparing wrong Rate Analysis, on the Chief Minister, which raises doubts on that credibility of rate analysis itself.

CE and EE have also accepted in Para 3 that the previous contractor was paid Rs 25,000 per month for rehabilitation, maintenance, replacement of membrane, anti-scalent chemical, and salaries. RO Plant maintenance also includes monthly change of water filter, which cost Rs 400 each and Fouling and Chemical Cleaning of membrane, which was being carried out by previous contractor. after every 3 or 4 months.

Therefore, according to SPPRA Rule 48, this contract should have been awarded on the basis of the prices or rates of the last awarded contract i.e. Rs 25,000/month, plus annual 6.5% annual increase, and not on Rs 136,000/month.

3. EE and CE in Para 2 have stated that Rs 416.143 is to be paid to Contractor for one time **replacement** in 623 RO Plants.

TIP Note: When maintenance, replacement of membrane, anti-scalent chemical, and salaries are being paid monthly, what for Rs 6,000,000 /RO Plant are being paid as One Time Replacement. RO Plant uses Solar Power and 5/10 KW Submersible pumps. Solar power has no replacement cost, and Submersible pumps life is over 15 years, and it requires repairs when need. The market cost of these pumps ranges between Rs 30,000 to Rs 60,000. The replacement cost payment needs physical verification at each pump, as most of this amount has already been paid to contractor.

4. EE and CE in Para 3 have also stated that incase the replacement of membrane was carried out by the previous contractor at Rs 25,000 per month, then it is presumed that he was suffering a loss of Rs 294.12 Million/month.

EE and CE in Para 3 have also stated that every month 1 membrane is to be replaced for 10,000 GPD plant, and 2 membran are to be replaced for 15,000 GPD Plant, each costing Rs 115,000.

Tip Note: But according to the manufacture's recommendations, RO membranes should be replaced after every 2-3 years. However, membrane lifespan will vary based upon local water conditions and household usage.

And the price of one membrane in Karachi is around Rs 70,000, and thus the previous contractor was easily able to replace membrane say once a year, within his monthly charges of Rs 25,000.



No contractor can afford a loss of Rs 294 million/month, or even per year, for 3 to 4 consecutive years, as has been assumed by EE and CE.

5. EE and CE in Para 4 have stated that the lowest evaluated responsive bid of M/s Mohammad Iqbal Shaikh & Co of Rs 209.095 million for 2 MGD RO Plant at Misri Shah did not include taxes, and by adding taxes this bid price is Rs 249.136 million.

TIP Note: Evaluation Report signed by Evaluation Committee, Rs 209.136 million includes **13% SRB Tax**, and 10% profit. Other tax is FBR WHT, which can not be included in the prices of bid. The clarification of CE & EE negated the Evaluation Committee Report . **Annex-B**

6. Another complaint is received which alleges corruption of **Rs 0.28 Billion** in the funds of Maintenance of RO Plants in Mirpurkhas Division, committed in the PHE (O&M) Mirpurkhas, of spending the funds on illegal contracts awarded not on Tendering Basis, but of Quotation Basis, and without obtaining permission of authorities.

TIP Note: The complaint of allegation of corruption of Rs 280 million in the funds of Maintenance of RO Plants in Mirpurkhas Division, under the same Department, confirms the scale of irregularities being committed in all divisions of Sindh PHD.

TI Pakistan recommendations

Secretary, Public Health Engineering & Rural Development Department may examine the allegations, and alleged violation of SPPRA Rule and Regulations, If the allegations are proved to be correct, take action to immediately cancel the 3 Contracts awarded and also take action against all those who are found responsible, and recover **Rs. 9.4 Billion**, 10 times the loss of over Rs.947 Million, and **Rs 2.8 Billion**, 10 times of Rs 280 Million, under the SPPRA Rule 89, "Integrity Pact" from the Contractors.

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

With Regards

Jus (Rtd) Nasira Iqbal,
Sitar-Imtiaz,
Vice Chair,

Transparency International Pakistan

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

1. PSPM, PM House, Islamabad,
2. Chairman, NAB, Islamabad,
3. Chief Minister, Sindh, Karachi,
4. Chief Secretary, Sindh, Karachi
5. Registrar Supreme Court of Pakistan, Islamabad.
6. MD, SPPRA, Karachi.



Annex-A

No. SO (T)/PHE/General Matters/2020
GOVERNMENT OF SINDH
PUBLIC HEALTH ENGINEERING &
RURAL DEVELOPMENT DEPARTMENT
Karachi dated the, 30th June, 2021

Most Urgent

To,

Justice (Retired) Nasira Iqbal,
Transparency International Pakistan,
9th Street Jami Commercial DHA Phase-VII,
Karachi.

Subject: Allegation of Violation of SPPRA Rule in Awarding Contract for Rehabilitation, Operation & Maintenance of 623 RO Plants in Tharparkar, 2 MGD RO Plants at Misri Shah and 01 RO Plant 1.5 MGD at Islamkot, Causing loss of over Rs.01. Billion

I am directed to refer to your letter No. TL 21/0618/IA dated 18th June, 2021, on the subject noted above. Chief Engineer (O&M), Public Health Engineering Department, Hyderabad was requested to get parawise replies from procuring agency and furnish counter comments on replies submitted by Executive Engineer (O&M) PHE Division, Tharparkar @ Mithi.

The detailed report with replies in annotated form is sent herewith for favour further necessary action.


(SALEEM HYDER KHOKHAR)
SECTION OFFICER (TECH) /PHE

Cc:

1. The Chief Engineer (O&M), PHED w/r to his letter No. G/O&M/PHED/700/2021 dated 22.06.2021.
2. The PS to Secretary, PHE & RDD, Govt. of Sindh, Karachi.

SECTION OFFICER (TECH) /PHE



OFFICE OF THE CHIEF ENGINEER(O&M)
PUBLIC HEALTH ENGG. DEPTT.,
HYDERABAD

NO.G/(O&M)PHED/ 700 /of/2021.

Hyderabad dated 22/06/2021.

2566
23-6-2021
PHE/ROD

To,

The Secretary,
Public Health Engineering
& R D Department
Government of Sindh
Karachi.

[Signature]
23/06/21

ASCT

SUBJECT:

ALLEGATION OF VIOLATION OF SPPRA RULE IN
AWARDING CONTRACT FOR REHABILITATION,
OPERATION & MAINTENANCE OF 623 RO PLANTS IN
THARPARKAR, 2 MGD RO PLANTS AT MISRI SHAH AND
1 RO PLANT 1.5 MGD AT ISLAMKOT, CAUSING LOSS OF
OVER Rs. 1 Billion.

Refnce:-

Your good office letter No. No.SO(T)/PHE/General
Matters/2020, dated:21.06.2021.

Kindly refer above correspondence. The copy of replies of
allegation regarding subjected matter as furnished by Executive Engineer (O&M)
PHE Division Tharparkar@Mithi (In duplicate) is sent herewith for your kind perusal
and further necessary action.

[Signature]
(SIKANDAR ALI MEMON)
CHIEF ENGINEER (O&M)
PUBLIC HEALTH ENGG. DEPTT:
HYDERABAD

Please discuss

23/6/21

R/p discussed

23/6/21

[Signature]

*Discussed. Director (O&M) PHE
will prepare draft for CE's
counter comments.*

23/6/21


**ALLEGATION OF VIOLATION OF SPPRA RULE IN AWARDING CONTRACT FOR
REHABILITATION, OPERATION & MAINTENANCE OF 623 RO PLANTS IN THARPARKAR, 2 MGD
RO PLANTS AT MISRI SHAH AND 1 RO PLANT 1.5 MGD AT ISLAMKOT, CAUSING LOSS OF OVER
Rs.1.0 Billion.**


S.#	ALLEGATION	REPLY OF XEN (O&M)	Counter Comments of C.E (O/M)
1.	A Contract for Rehabilitation / Operation & Maintenance of 623 RO Plants for year 2020/21, was awarded in April 2021. By Public Health Engineering & Rural Development Department, in violation of SPPRA Rules 2010, to a single bidder M/s Oslo Lighting Solution(Pvt) Ltd & Minvera Builders & Innovation (Pvt) Ltd(Joint Venture) at the cost of Rs.1,433,759,278/- to <u>Annex-A</u>	As per rule 48 of SPPRA Rules,2010 the bidding process may be considered valid, even only one bid is submitted (attached as Annexure-'A')	Agreed with reply of Executive Engineer (O&M) PHE Tharparkar
2.	This contract comprises of one-time payment of Rs 416,338,143 for Rehabilitation of 623 RO Plants and annual operation & maintenance payment of Rs.1,017,421,134 are to be paid to the contractor for 12 months.	The Contract "Rehabilitation and operation and maintenance of R.O Plants in District Tharparkar"(623 Nos:) includes the One Time Replacement, routine maintenance and non-routine maintenance. The total estimated cost of the contract is Rs.1280.586 million and total bid value is Rs.1433.759 million, hence the tender cost is 11.96% above the estimated cost which is within the permissible limit. (attached as Annexure-'B')	Agreed with reply of Executive Engineer (O&M) PHE Tharparkar


<p>3.</p>	<p>Payment of Rs 416,338,143 is the rehabilitation cost of 623 RO Plant, which comes to Rs.668,279 per RO Plant. And Rs.136,091/month is being paid for operation and maintenance of each plant. It is to point out that the Rehabilitation cost is provided in PC-I by the department, for replacement of old water membrane, which is actually included in the monthly operation & maintenance cost. These 623 RO Plants are in operation since last five /six years, and the operation and maintenance of these plants was carried out by the previous contractor at Rs 25,000 / RO Plant/Month. This monthly payment of Rs.25,000 also included the cost of replacement of water membrane, operation & maintenance. The payment of Rs.416,338,143 is therefore not legal payment, and should not been given to Contractor. The previous contractor, according to the contract agreement of 2015, was charging Rs.25, 000/-per month from 2015. While preparing the estimated cost of 623 RO Plants for the purpose of PC-I, according to Planning Commission directives (Planning & Development Division Islamabad), to arrive at the annual increase of cost 6.5% shall be added to each year. This means on Rs 25,000/month, in 6 years, at 6.5%, shall be Rs 37,000/month. Sindh Government was paying Rs.25,000 /month/plant, till 6 years and the new contractor is being paid by the department Rs.136,000/month, just because this contract is awarded on un-competitive rates, which is against the SPPRA Rules. The Government of Sindh is over paying Rs.947,000,000 (Rs 90,000/plant/month, Rs 560,700,000 and also overpaying Rs 416,338,143 in the name of Rehabilitation).</p>	<p>This is non development funds so No PC-I is required. As mentioned in allegation that previous contractor was charging Rs.25000/= per month including replacement of membrane and accessories. It is pertinent to mention here that rate analysis duly approved by Honorable Chief Minister Sindh incorporates Rs.115000/= for 8 inch dia RO membrane, 10000 GPD Plant have 02 membrane and 15000 GPD RO plant have 3 membrane and so on. In case replacement of membrane was carried out by previous contractor M/s Pak Oasis Pvt Ltd. on monthly basis at a cost of Rs.25000/= per month then it is presumed that he was facing a loss of amount which is as (attached as Annexure- 'C'). Scenario of Annexure 'C' table clearly envisage that total loss to the contractor is Rs. 294.120 (M) per month. In addition to other recurrent expenditure required to be born by the contractor It is further mentioned here that the cost Rs.136091/month is the cost of plant of rehabilitation and (O&M) which includes the one time replacement, routine and non-routine maintenance cost.</p>	<p>Agreed with reply of Executive Engineer (O&M). The cost of Rs.25000/-per month for operation & maintenance of plant i/c replacement of membrane is not justified. Suppose if Contractor replaces only one membrane in a plant on monthly basis that will cost as under.</p> <ul style="list-style-type: none"> i) Cost of Membrane Rs.115000/- ii) Cost of anti scallant Chemical Rs.2000/- iii) Salary 15000/- <p style="text-align: right;">Total:132000/-</p>
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4.	M/s Oslo Lighting Solution(Pvt) Ltd & Minvera Builders & Innovation (Pvt) Ltd (Joint Venture) in April 2021 was also awarded contract for Rehabilitation / Operation & Maintenance of 2MGD RO Plant at MISRI SHAH. At the cost of Rs.211,326,175 although another bidder M/s Muhammad iqbal Shaikh & Co. has quoted Rs.209,095,271, and was the lowest bidder, but his bid has been shown in the comparative statement as Rs.249,136,000. Annex-B	As per tender documents attached, it is revealed that the bidding amount quoted by M/s Oslo Lighting Solution(Pvt) Ltd & Minvera Builders & Innovation (Pvt) Ltd is Rs.211.326 (M) i/c all the taxes whereas same for M/s Muhammad Iqbal Shaikh & Co. was Rs. 209.095 (M) without tax. Total amount of bid of M/S Mohammad Iqbal Shaikh & Co. to Rs.249.136 (M). in case other eligible taxes are added. <i>(Refer Bidding Document P#433)</i>	Agreed with reply of Executive Engineer (O&M) PHE Tharparkar
5.	M/s Oslo Lighting Solution (Pvt) Ltd & Minvera Builders & Innovation (Pvt) Ltd (Joint Venture) were awarded for Rehabilitation / Operation & Maintenance 1.5 MGD RO Plant at ISLAMKOT, with separate cost for Rehabilitation. Annex-C	The contract for " Rehabilitation / Operation & Maintenance 1.5 MGD RO Plant at ISLAMKOT, is awarded to M/s M/s Oslo Lighting Solution(Pvt) Ltd & Minvera Builders & Innovation (Pvt) Ltd (Joint Venture) with the contract value Rs.207.154 (M) which include the rehabilitation cost. No separate cost for rehabilitation is included.	Agreed with reply of Executive Engineer (O&M) PHE Tharparkar
6.	According to SPPRA Procurement Regulations (Works), Article 2.16 Evaluation Criteria, the annual turnover of the Bidder shall be either equal or twice the estimated cost of project, and M/s Oslo Lighting Solution(Pvt) Ltd & Minvera Builders & Innovation (Pvt) Ltd do not meet this criterion.	The attached bank statement shows that the turnover is more than the estimated cost (Annexure Attached). Copy of affidavit reflecting there in submission of true documents is attached. (attached as Annexure-'D')	Agreed with reply of Executive Engineer (O&M) PHE Tharparkar
7.	The process of awarding the contract of 623 RO Plants to a single bidder JV, which does not has previous experience, at additional cost of Rs 947,000,000, and 2 contracts for 2 MGD and 1.5 MGD, must be declared illegal and cancelled.	The documents provided by contracting firm reveal that it has sufficient experience in the field of water treatment plants. (attached as Annexure-'E') Claim of Rs.947.0 Million as an additional cost seems vague. The transparency international may explain this allegation.	Agreed with reply of Executive Engineer (O&M) PHE Tharparkar

General Remarks:- As for as cancelation of bid is concerned it is pertinent to mention here that this process is clearly defined under SPPRA Rules which are approved through an act 2009. Transparency International be requested to examine SPPRA Rules No.7,8,10,31 & 32


EXECUTIVE ENGINEER (O&M)
PUBLIC HEALTH ENGG:DIVISION
THARPARKAR@MITHI


SUPERINTENDING ENGINEER(O&M)
PUBLIC HEALTH ENGG.CIRCLE
MIRPURKHAS


CHIEF ENGINEER (O&M)
PUBLIC HEALTH ENGG.DEPT:
HYDERABAD

Annex-B

COMPARATIVE STATEMENT

REHABILITATION OPERATION & MAINTENANCE OF DRINKING WATER PLANTS BASED ON REVERSE OSMOSIS (RO) TECHNOLOGY 2.00 MGD INSTALLED AT MISRI SHAH OF DISTRICT THARPARKAR OPERATED ON / ELECTRICITY ANNUAL MAINTENANCE PLAN.AMP (2020-21)

Name of Work:

Financial

NIT Reference No.

TC/PHE/310, DATED 04/12/2020

Bid Submission Date: 29/12/2020

Bid Opening Date: 02/03/2021

Sr. #	Name of Bidder	DESCRIPTION	Amount of Estimated Cost i/c 10% Cont Profit 13% SRB	Rate Quoted by Contractor i/c 10% Cont Profit 13% SRB	Amount of Bid Value	Amount of BOQ	As per provision technical section			
							10% contractor profit	13% SRB	Total Estimate Cost	
1	2	3	4	5	6	7	8	9	10	
1	Olso Lighting Solution (Pvt)Itd & Minerva Builders & innovations (Pvt) Ltd (Joint venture)	Part -A Rehabilitation / Replacement of membrane	52897108	54886360	0.56% P.Gallon	42556000	4255600	6085508	52897108	
		Part-B+C Establishment (routine maintenance) & operational Expenditure	134401023	156439815		211326175	115957313	2981645	15462065	134401023
		Sub-Total:	187298131	211326175		211326175	158513313	7237245	21547573	187298131
2	M/S Muhammad Iqbal Shaikh & Co	Part -A Rehabilitation / Replacement of membrane	52897108	57236000	0.46% P.Gallon	42556000	4255600	6085508	52897108	
		Part-B+C Establishment (routine maintenance) & operational Expenditure	134401023	151859271		249136000	115957313	2981645	15462065	134401023
		Sub-Total:	187298131	209095271		249136000	158513313	7237245	21547573	187298131
							Say	187298000		

Estimate Sanctioned by the Chief Engineer, (O & M) Public Health Engineering Department vide No. DB/CE/O & M/ 334 / Dated: 21-12-2020 Amounting of Rs. 187298000/-

ABSTRACT

Amount of Tender Cost	211326175
Amount of Estimated Cost	187298000
Excess	24028175
12.82 % above on the Estimated Cost	

There is amounting to Rs. 211326175 such Rate Quoted by M/S Olso Lighting Solution Pvt and being 12.82 % above of Estimated Cost found lowest & Reasonable in the Competition.

(BAQIR ALI SHAH)
ASSISTANT ENGINEER
PHE HQ SUB-DIVISION
THARPARKAR @ MITHI
(MEMBER/SECRETARY)

(OM PARKASH)
EXECUTIVE ENGINEER
BUILDING DEPARTMENT
THARPARKAR @ MITHI
(MEMBER)

(ADNAN JUNEJO)
EXECUTIVE ENGINEER
PUBLIC HEALTH ENGG-DIVISION
THARPARKAR @ MITHI
(CHAIRMAN)

SUPERINTENDING ENGINEER
PUBLIC HEALTH ENGG.(O&M) CIRCLE
MIRPURKAS