

No.F.1(90)/DD-II/PPRA/2009
GOVERNMENT OF PAKISTAN
PUBLIC PROCUREMENT REGULATORY AUTHORITY
(CABINET DIVISION)
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Islamabad, the May 13, 2010.

From : Naeem Ahmed,
Deputy Director – II,

To : Syed Adil Gilani,
Chairman,
Transparency International-Pakistan,
5-C, 2nd Floor,
Khayaban-e-Ittehad, Phase-VII,
Defence Housing Authority,
Karachi.

Subject: **IRREGULARITIES IN DHA BIDDING PROCESS.**

Please refer to Transparency International-Pakistan's letter No. nil,
dated 23rd April, 2010 on the above subject.

2. Your complaint was forwarded to Pakistan Defence Officers Housing
Authority for disposal under Rule-48 of Public Procurement Rules, 2004. Procuring
Agency has given the comments on the complaint and the same is being enclosed
for your kind perusal.



(NAEEM AHMED)



Pakistan Defence Officers Housing Authority
2/B East Street, Phase-I, DHA, Karachi-75500 (Pakistan)

In reply, please quote:
DHA/3

Date: 11 May 2010

Mr. Naeem Ahmed
Deputy Director-II
The Public Procurement Regulatory Authority (Cabinet Division)
Government of Pakistan
ISLAMABAD

Subject: IRREGULARITIES IN THE DHA BIDDING PROCESS

Reference: PPRA Letter No F.1(90)/DD-II/PPRA/2009 dated 26 Apr 2010

1. The complaints of M/s Transparency International forwarded to you by their letter dated 23 Apr 2010 are based on an anonymous complainant.
2. To ensure quality procurement, in addition to PEC Guidelines, DHA has developed its pre-qualification process of contractors. DHA is using PEC standard documents and MES regulations wherever applicable in its projects to ensure transparency in awarding contracts.
3. Projects undertaken in DHA for which comments are required by your office are placed in following paragraphs:
- a. Street Lighting Phase-VIII
- (1) M/S Oslo Lighting was not the fourth lowest, rather it was third lower in the bidder's process & the price quoted was Rs 231.00 M, not Rs 242.5 M.
 - (2) M/S Oslo has been working on various projects in Karachi with specialty in street lighting. The selection of firm for bidding is through a prequalification process in which PEC registration is one of many other considerations.
 - (3) The lighting projects undertaken in the past by M/S Oslo Lighting Solutions have successfully been completed as per the specifications in their BOQs and are taken over by the board of officers comprising of three or more professionals in the field of expertise assigned randomly. There is no issue of provision of underspecified work handed over to DHA.

By No. 492
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- (16)
- (4) The bidding process was undertaken as per Pakistan Engineering Council (PEC) procedures with pre-bid meetings, issuing of addendums basing on the meeting minutes etc. The process was completed by awarding the contract to M/S Oslo Lighting Solution for Rs 231.77 M after evaluation of bids technically and financially by a board of officers.
 - (5) As most of the items (60%) in the tender are import items, the risk of low bid could have caused delays and poor quality work.
 - (6) The import items are to be paid in Euro which is increasing on the market fluctuation. In order to cap the price of Euro, an advance of 50% was approved against no claim for escalation in the cost of material. Mobilization advance was duly covered with an insurance guarantee by a "AA" rated insurance company as per PEC Regulation.

b. Development Works for Widening and Construction of Roads at Zulfiqar and Murtaza Commercial Areas


- (1) The contract was awarded to M/s MJB for Rs 143 Millions to complete the Zulfiqar and Murtaza Commercial area works, development of which was long overdue and lot of pressure for early completion was being faced by DHA. The contractor had previously performed well on a drainage project which was undertaken on an emergent basis too. Keeping in view his previous performance and quality of work the contractor was included in the list of prequalified bidders.
- (2) The value of the project got enhanced because of the inclusion of sidewalks, water supply, and sewerage works in the scope determined by the consultant. DHA by this decision achieved better site control and saving in mobilization time. The contractor has performed well, though the complications in the project were enormous due to restraints in deployment of machines and mechanical equipment.
- (3) As per Standard Bidding document of PEC, the Clause 51.1 (Alteration, Addition & Omission) and Clause 52.3 (Variation exceeding 15 percent) allows additions in excess of 15% as an authorized practice within the contract stipulations.

c. Construction of Road 16 Street Phase-VIII

- (1) The contract was awarded to M/S Areebco & Company for Rs 332.7 Millions. Four prequalified competitors participated in the bidding process, all of whom were in the DHA prequalified list and duly enlisted with PEC.

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- (2) The value of the project was originally Rs 332.7 Million. During execution of the project some of the components like drainage and utility culverts which were not included originally in the contract, but due to rain emergencies, these were included under the same contract to safeguard against rain water damages and to enhance occupancy of Creek Vista. These additions were allowed as per PEC, which increased the value of work. DHA has achieved better sequence in construction plan by adding these items.
- (3) Standard Bidding document of PEC under the clause 51.1 (Alteration, Addition & Omission) and clause 52.3 (Variation exceeding 15 percent) allows additions in excess of 15% as an authorized practice.

4. This office assures you that DHA has followed its work methodology appropriately to conduct the business fairly and justly. It is recognized that DHA always pursue quality and economy in our projects which is a self evident fact. It may also be mentioned here that all works over Rs 15 Million are scrutinized by Development Committee of the Executive Board of DHA headed by CC Engineers 5 Corps. Above mention works were also processed accordingly. It is also pointed out that DHA being an organization not using public funds/grants, follows PEC Regulations which are already harmonized with PPRA Rules. Please feel free to ask for any further information required by your department; DHA will always assist to enhance understanding of our projects and organization.


Lt Col (Retd)
Najam Ul Islam Rishi
Secretary DHA

Copy to: Lt Col Taimur Khan Afridi
G-1, IS, HQ 5 Corps
Karachi