



23rd April 2010

Brig Khalid Masood Tirimzi
Administrator DHA
2-B, East Street, Phase I
DHA Karachi.

Subject: Irregularities in the DHA Bidding Process

Dear Sir,

Transparency International Pakistan has received complaints regarding violation of rules for the fair bidding process as stated by the Pakistan Engineering Council, Public Procurement Regulatory Authority (PPRA) and FIDIC.

Complainant has alleged the following Violation of Rules in Tendering Competitions, which we request you to examine and clarify whether any of them are true or false.

A. Tender competition held 30th September 2009 regarding Street lights in Phase VIII

1. Tender was awarded to Oslo Lighting amounting Rs. 231.5 million who was the fourth lowest bidder. Siemens Pakistan bid was for Rs.159.5 million, Rs. 83 million less.
2. Oslo is registered with PEC in category C-3 and its contract execution limit is Rs. 100 million hence this company does not qualify for the project.
3. DHA allowed 50% of contract amount as mobilization advance on insurance guarantee where as in a letter by DHA to Oslo Lighting they have mentioned Mobilization Advance up to 25% of the contract value can be paid upon submission of guarantee which is in contradiction of DHA's own Letter of Award, raising as per Integrity Pact Rs. 830 million.

B. Complaint about violation of rules and manipulation in award of tenders by DHA.

1. DHA Phase VIII Sector A contract No. RD-11 Tender for development works for Widening and Construction of roads at Zulfiqar and Murtaza Commercial Areas.
2. Contract was awarded to MJB Construction Company on 25th April 2009 for a sum of Rs.150.261millions. This was also violation of Pakistan Engineering Council (PEC). MJB was registered with PEC in category C-3 and its contract execution limit is Rs.100 million till December 2009.



For execution of projects having worth more than Rs. 200 million the contractor should have to register with PEC Category C-1. MJB has recently upgraded itself in Category A to cover up the violation of the contract.

3. Contractor should be duly enlisted / pre-qualified with DHA and this condition was overlooked while awarding contract to MJB.

4. Initially the contract was awarded to MJB for Rs. 150.251 millions but the contract has now been enhanced to Rs. 272 million in violation of PPRA rules by DHA. It is pointed out that variation of a contract can only be made up to 15% of total contract value but the above enhancement / variation is more than 60% to give financial benefits to MJB by DHA administration.

C. Contract for construction of Road 16 Street Phase VIII DHA

1. Contract was awarded to M/S Areebo Construction Company for Rs. 325 million in May 2009. This was also violation of Pakistan Engineering Council (PEC) license and DHA advertised requirement as Areebo is registered with PEC in category C-2 and its contract execution limit is 200 million only.

2. This contract of Rs. 325 million was enhanced to about Rs 500 million which is 40 to 45 % of the contract value. Only 10% enhancement variation can be made by DHA.

Transparency International Pakistan requests you to kindly look into the matter of gross violations in award of these contracts, as under the Integrity Pact, Rule No. 7 if loss to procuring agency is established due to corruption, the Contractor is liable to pay 10 times the cost of loss.

As per Integrity Pact procurements exceeding the prescribed limit shall be subject to an integrity pact, as specified by regulation with approval of the Federal Government, between the procuring agency and the suppliers or contractors.

Kind Regards

N.A Mirza
Project Coordinator

cc: Chairman Public Accounts Committee
Chief of Army Staff
Chairman NAB
M.D PPRA



Integrity Pact

**DECLARATION OF FEES, COMMISSIONS AND BROKERAGE ETC.
PAYABLE BY THE SUPPLIERS/CONTRACTORS OF GOODS, SERVICES
& WORKS**

_____ [the Seller/Supplier/Contractor] hereby declares its intention not to obtain or induce the procurement of any contract, right, interest, privilege or other obligation or benefit from Government of Pakistan or any administrative subdivision or agency thereof or any other entity owned or controlled by it (GoP) through any corrupt business practice.

Without limiting the generality of the foregoing, [the Seller/Supplier/Contractor] represents and warrants that it has fully declared the brokerage, commission, fees etc. paid or payable to anyone and not given or agreed to give and shall not give or agree to give to anyone within or outside Pakistan either directly or indirectly through any natural or juridical person, including its affiliate, agent, associate, broker, consultant, director, promoter, shareholder, sponsor or subsidiary, any commission, gratification, bribe, finder's fee or kickback, whether described as consultation fee or otherwise, with the object of obtaining or including the procurement of a contract, right, interest, privilege or other obligation or benefit in whatsoever form from GoP, except that which has been expressly declared pursuant hereto.

[The Seller/Supplier/Contractor] certifies that it has made and will make full disclosure of all agreements and arrangements with all persons in respect of or related to the transaction with GoP and has not taken any action or will not take any action to circumvent the above declaration, representation or warranty.

[The Seller/Supplier/Contractor] accepts full responsibility and strict liability for making any false declaration, not making full disclosure, misrepresenting facts or taking any action likely to defeat the purpose of this declaration, representation and warranty. It agrees that any contract, right, interest, privilege or other obligation or benefit obtained or procured as aforesaid shall, without prejudice to any other right and remedies available to GoP under any law, contract or other instrument, be voidable at the option of GoP.

Notwithstanding any rights and remedies exercised by GoP in this regard, [the Seller/Supplier/Contractor] agrees to indemnify GoP for any loss or damage incurred by it on account of its corrupt business practices and further pay compensation to GoP in an amount equivalent to ten times the sum of any commission, gratification, bribe, finder's fee or kickback given by [the Seller/Supplier/Contractor] as aforesaid for the purpose of obtaining or inducing the procurement of any contract, right, interest, privilege or other obligation or benefit in whatsoever form from GoP.