



**TRANSPARENCY
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5th July, 2010

Chairman,
Federal Board of Revenue,
Islamabad

Sub: Allegation of Violation of Public Procurement Rules, 2004 by FBR in award
of Contracts to PRAL.


Dear Sir,

Transparency International Pakistan refers to the news published in Business Recorder dated 2nd July 2010, where allegations are made that the services acquired by Federal Board of Revenue (FBR) as "procuring agency" from Pakistan Revenue Automation (Pvt) Ltd (PRAL) are in gross violation of rules prescribed under Public Procurement Rules (PPR) 2004.

According to Public Procurement Rules 2004, all procurements are to be made by open tendering, and even a fully owned subsidiary of a public agency can not be awarded contracts without tenders. Ministry of Water and Power is the Ministry of NESPAK, but NESPAK can not be awarded contracts by WAPDA, PEPCO etc without open tendering.

The copy of news is enclosed. TIP would like FBR to clarify whether the news is correct or wrong, and that also provide copies of the Tenders, Evaluation reports and Contract Agreement of all such Contracts awarded to PRAL Pvt Ltd. by FBR.

Yours Sincerely,


Syed Adil Gilani
Chairman

Copy forwarded to member Customs, FBR, Islamabad

FBR violates PPR 2004 in acquisition of PRAL services

IQBAL MIRZA

KARACHI (July 02 2010): The services acquired by Federal Board of Revenue (FBR) as "procuring agency" from Pakistan Revenue Automation (Pvt) Ltd (PRAL) are in gross violation of rules prescribed under Public Procurement Rules (PPR) 2004, according to stakeholders.

These rules clearly stipulate an open competitive process of bidding for any "public procurement in excess of Rs 1,00,000 with mandatory condition of advertisement, procurement planning, bidding, bid acceptance, performance guarantees, etc. But all the services acquired by FBR from PRAL have been without fulfilling any of the mandatory requirements of law. Each service has cost millions of rupees to the "public funds", ie TEP project alone valued at over \$27 million, they said.

FBR's response in this regard appears confusing which is evident from the fact that PRAL is a Private Limited Company set up in 1994, with Registration/ Incorporation number 1-446/19940601, National Tax Number 0804407, and its registered business address is House-14 Hill Road, F-6/3, Islamabad.

The FBR is a government department under the Ministry of Finance, and clearly falls within the meaning of "Procuring Agency" as defined in Section 2(j)i. of the Public Procurement Regulatory Ordinance 2002, which says:

2(j) "Procuring Agency" means i. any ministry, division, department or any office of the Federal Government;

The FBR as "Procuring Agency" regularly acquires all services, which clearly falls in the meaning of "Public Procurement", section 2(1), barring the only two, Pakistan Automated Customs Computerised System (PaCCS) and PRAL. PaCCS is being closed down by FBR to exclusively acquire from PRAL ie, taxpayers registration system, integrated tax management system, self-service tax portal, e-Customs system, e-FBR, TEPI (Customs wide area networking), STARR, STREAM, one customs, WebOC, tax management system, human resource, with money belonging to the Federal Government and clearly falling within the meaning of "Public Fund" as defined in Section 2(k) of the Public Procurement Ordinance 2002 wherein it has been mentioned as:

2(k) "Public Fund" means the Federal Consolidated Fund and the Public Account of the Federation and includes funds of enterprises which are owned or controlled by the Federal Government;

2(i) "Public Procurement" means acquisition of goods, services or construction of any works financed wholly or partly out of the Public Fund unless, excluded otherwise by the Federal Government.

The stakeholders demanded FBR to provide any documentation pertaining to any aspect of the Public Procurement Rules 2004, which clearly provide as under;

4. Principles of procurements.

Procuring agencies, while engaging in procurements, shall ensure that the procurements are conducted in a fair and transparent manner, the object of procurement brings value for money to the agency and the procurement process is