



**TRANSPARENCY
INTERNATIONAL-PAKISTAN**

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16th January, 2018

TL18/1601/2A

Secretary,
Agriculture Department,
Government of Punjab,
Lahore.

Sub: Complaint against Agriculture Department Punjab Regarding Serious Irregularities and Lack of Transparency in Procurement of Consulting Firm under RFP No. EMFP/VCTAT/01 (Rs. 645 million) - Value Chain Technical Assistance Team (VCTAT) for project entitled "Establishment of Model Farms Linked with Improved Supply Chain and Value Addition (EMFP) - Agriculture Department, Government of Punjab.

Dear Sir,

Transparency International Pakistan has received a complaint with respect to serious irregularities and lack of transparency in procurement of consulting firm under RFP No. EMFP/VCTAT/01 (Rs. 645 million) - Value Chain Technical Assistance Team (VCTAT) for project entitled "Establishment of Model Farms Linked with Improved Supply Chain and Value Addition (EMFP) - Agriculture Department, Government of Punjab. The complaint (annexure) is enclosed for your ready reference.

The complainant has alleged that there are irregularities in scoring at the Expression of Interest (EOI) and at RFP stage.

Secretary, Agriculture Department, Government of Punjab is requested to kindly examine the complaint, and if found genuine take necessary action against all those officers involved in corrupt practices.

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

With Regards,


Sohail Muzaffar
Chairman

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

1. Chief Minister, Government of Punjab, Lahore
2. Director General, NAB, Lahore.
3. Chief Secretary, Government of Punjab, Lahore.
4. Registrar, Lahore High Court, Lahore.
5. Managing Director, Punjab PRA, Lahore.



Ref No. ASF/EMFP-RFP/01

27th December 2017

The Secretary Agriculture
Government of Punjab
Lahore

Subject: Registration of complaint with respect to irregularities and lack of transparency in procurement of consulting firm

Reference: RFP No. EMFP/VCTAT/01 (Rs. 645 million) - Value Chain Technical Assistance Team (VCTAT) for project entitled "Establishment of Model Farms Linked with Improved Supply Chain and Value Addition (EMFP)"

Dear Sir,

We draw your kind attention towards subject procurement of services carried out by EMFP project (Agriculture Department, Government of Punjab) to hire a consulting firm under the above-referred Request for Proposal (RFP). Being part of bidding process, we have observed serious irregularities with respect to the manner in which the said procurement has been carried out by EMFP project. Our key observations with regard to the procurement are noted hereunder:

1. **Irregularities in scoring at Expression of Interest (EOI) stage:** An EOI was advertised by EMFP in September 2017 to shortlist interested firms for the RFP stage. The EOI had very specific scoring criteria, which included (please refer to Annexure-1 for relevant extract from EOI):

- Management and technical team (Maximum score - 30 marks)
- Specific past experience of advising / implementing horticulture value chain development projects [national projects of Rs. 50 million or more (20 marks) and international projects of USD. 1 million or more (10 marks)] (Maximum score - 30 marks)
- Financial volume of advising / implementing horticulture value chain development projects (Maximum score – 20 marks)
- Experience of implementing matching grants projects for agriculture sector in Pakistan during last 10 years (Maximum score – 10 marks)
- Marketing of horticulture products (Maximum score – 10 marks)

The EOI document clearly mentioned that in case of consortium Lead Firm shall have a weightage of 65 % while the Associate Firm shall have weightage of 35 %.

The EOI score sheet (Annexure-2) shared by EMFP at the RFP stage revealed that the consortium of CABI and Star Farm had been granted highest marks at the EOI stage with a score of 90.5 marks. We have the following observations in this regard:



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- a. Financial records of Star Farm available from Securities and Exchange Commission of Pakistan (SECP) and Metro Group AG (holding company of Star farm) reveal that the company is financially insolvent, i.e. unable to meet its debts. Extracts of the last available audited financial statements (as per SECP records) of Star Farms showing company's financial position as at September 30, 2014, reporting negative equity of Rs. 3.131 million; and audited financial statements of Metro Group AG (holding company with 100% shareholding in Star Farm) for year 2017, showing negative equity of Star Farm €134,000 are attached as Annexure-3.
- b. Shortlisting and final selection of a consortium containing an insolvent company completely violates para "i" of eligibility requirements noted in "Eligibility" section on page 16 of EOI document issued by EMFP program. The said para required bidding firms to confirm that they are not insolvent, by submitting an undertaking on Judicial Paper that the firm was not insolvent. Relevant extract from the EOI document is provided in Annexure-4. Furthermore, para iii on page 16 (Fraud and Corruption) also states that any misinformation, forged / fake documents / statements etc. will lead to disqualification at shortlisting stage in addition to any other action as per law.
- c. Furthermore, award of 90.5 marks to consortium of CABI (Lead Firm) and Star Farm (Associate Firm) at EOI stage is unjustified and highly questionable due to the following reasons:
- I. In order for the consortium to score 90.5 marks (with 65% weightage of lead firm and 35% weightage of associate firm), mathematically, both firms had to score very high individually.
 - II. Both firms do not have any experience of implementing matching grants projects for agriculture sector in Pakistan during last 10 years. The EOI provisioned 10 marks for cost-sharing grants management experience in Pakistan.
 - III. Similarly, both firms have limited or no experience at all in advising or implementing horticulture value chain development programs (10 marks) and in marketing of horticulture products (10 marks).
 - IV. With negative equity and insolvent financial status, it would be impossible for Star Farm to score any marks in the financial volume (including current ratio) and composition of technical and management team on the payroll of the company at the time of submission of the EOI.
 - V. At the financial bid opening meeting held on 21 December, 2017, ASF team inquired about justification of award of high score of 90.5 to the consortium of CABI and Star Farm (especially keeping in view 65% weightage of lead firm and 35% weightage of associate firm). The EMFP team could not provide any logical justification and informed us that they had thoroughly scrutinized all documents provided to them and that the CABI / Star Farm consortium had lost a few points due to the issue raised by us.
2. Irregularities at RFP stage: We have observed the following irregularities and transparency issues in the procurement at the RFP stage:
- a. The bidders were informed only at the RFP stage that the score achieved by them at the EOI stage would be carried forwarded to the RFP score with 20% weightage. In principle, all the



bidders should have been informed of this provision at the EOI stage so that this element could be taken into consideration while submitting EOIs.

- b. As per program budget details provided in RFP, 98% of the program funds (total program budget Rs. 3.06 billion) will be disbursed through matching grants under the EMFP program. It was surprising to note that no weightage of grants methodology was provisioned in the scoring mechanism in the RFP. This we believe was done to prevent disqualification of the consortium of CABI and Star Farm, which has no experience of cost sharing grants management. This issue was formally raised by us in writing vide our letter dated 9 November 2017 and also raised by us at the pre-bid conference, but no response from EMFP was received in this regard. Furthermore, this element was also not incorporated in the minutes of the pre-bid conference, wherein ASF raised this issue.
- c. While describing the project background, the RFP on page 56-58 discussed the role of Directorate of Agriculture (Horticulture) Extension Punjab in the project. It was clearly mentioned in the RFP that the experience of staff of Directorate of Agriculture (Horticulture) Extension Punjab would be utilized and project field activities will be implemented in collaboration with the Department (relevant extract from RFP provided in [Annexure-5](#)). In accordance with the role of Directorate of Agriculture (Horticulture) Extension provided in the RFP, ASF provisioned engagement of Directorate of Agriculture (Horticulture) Extension team in the field activities related to training of farmers through farmer field schools. We also incorporated activity of capacity building of Directorate of Agriculture (Horticulture) Extension team through GLOBALGAP Farm Assurer Program. However, at the project presentation made by ASF to the EMFP committee and other participants, it was surprising to note that ASF's proposal to engage team of Directorate of Agriculture (Horticulture) Extension in the proposed project was discredited. The EMFP committee was of the view that Directorate of Agriculture (Horticulture) Extension had no capacity at all and it should have not been involved in the proposed methodology.

In our view, the bidders (unless they had any inside information with respect to the actual views of EMFP management / committee about Extension Department) were totally misguided through incorporation of role of Directorate of Agriculture (Horticulture) Extension in the program RFP. In case Directorate of Agriculture (Horticulture) Extension is really considered a non-functional department by EMFP management, its role (together with acknowledgement of experience of its team) should have not been incorporated in the RFP circulated to the bidders, who had to respect and comply with the program design, scope and related provisions stipulated in the RFP. Furthermore, minimizing the role of the Extension Department in the project is in direct contradiction to the approved PC-1.

- d. As per EOI score sheet shared by EMFP, the consortium led by CABI has only one partner, i.e. Star Farms. However, we were informally informed by the EMFP transaction consultant that a representative of a third firm SGS (who he mentioned was a sub-consultant in CABI consortium) also participated in the presentation made by the CABI-led consortium to the EMFP committee. In case SGS had been proposed as a sub-consultant by CABI at EOI stage, EMFP should have not concealed the information and should have provided complete details of consortium to all bidders (which score sheet does not reflect). In case, SGS (and any other company) was added as sub-consultant by the consortium at RFP stage, then this was done to favor the CABI-led consortium in complete violation of RFP provisions as provided hereunder:

Quote (page 14 of RFP)

"Preparation of Proposals – Specific Considerations

14.1.1 If a shortlisted Consultant considers that it may enhance its expertise for the assignment by associating with other Consultants in the form of a Joint Venture or as Sub-consultants, it may do so with either (a) non-shortlisted Consultant(s), or (b) shortlisted Consultants if permitted in **the Data Sheet**. In all such cases a shortlisted Consultant must obtain the written approval of the Client prior to the submission of the Proposal. When associating with non-shortlisted Consultants in the form of a joint venture or a sub-consultancy, the shortlisted Consultant shall be a lead member. If shortlisted Consultants associate with each other, any of them can be a lead member."

Unquote

Quote (data sheet page 24 of RFP)

11.1

Changes in Consortium / JV are not allowed at RFP stage. Sub-consultants are allowed / permissible up to 35 % of total contract amount

14.1.1

Shortlisted Consultant shall **NOT** associate with other Shortlisted or Non-shortlisted Consultant(s) at RFP stage.

A Consultant who have been shortlisted as Consortium / JV cannot add or delete its Consortium / JV members at RFP stage

Unquote

Finally, at the financial bid opening meeting held at EMFP office on 21 December, 2017 we were informed by EMFP management that the consortium of CABI and Star Farm ranked first in the RFP technical score with **88.1** marks; whereas the consortium of ASF and J.E. Austin Associates Inc. ranked second with RFP technical score of **66.9**. These scores also included weightage of EOI scores. We are of the opinion that this huge difference in the technical scores was orchestrated to ensure that the financial bids would be rendered irrelevant. Incidentally, the financial bid by the CABI / Star Farm consortium at Rs. 658 million was Rs. 113 million more than the Rs. 545 million bid submitted by ASF and even exceeded the RFP ceiling of Rs. 645 million. In view of the above noted observations and irregularities, we have serious reservations with respect to the transparency of the entire procurement process under this RFP and request you to personally look into the matter.

Yours truly,



Khalid Khan
CEO

CC:

1. Secretary, Planning and Development, Government of Punjab
2. Complaint Cell, Chief Minister, Government of Punjab