



GOVERNMENT OF PAKISTAN
NATIONAL ACCOUNTABILITY BUREAU
ATTA TURK AVENUE, G-5/2
ISLAMABAD

(AWARENESS & PREVENTION DIVISION)

NAB/PC//DDP/AB/A/KPT

September 27, 2012

The Chairman

Karachi Port Trust (KPT)
Karachi

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Subject: VIOLATIONS OF PROCEDURES AND MIS-PROCUREMENT IN VARIOUS CONTRACTS OF KPT

1. In view of the seriousness of various reports relating to violation of govt. rules and procedures, NAB team visited Karachi on 11 September 2012. The team was briefed by KPT on various issues. The presentation made at mid tier level (including ex employees of KPT) raised issues that need immediate response.

2. Following was discussed and response is requested accordingly:-

a. The rationale of expending huge outlay on a deep water port as a "transshipment hub" along with consultant studies and government approval supporting the concept is needed by NAB.

b. It was examined in depth that KPT status of statutory body, KPT act 1887 Section 5 of port act 1928, board of trustees role had autonomy but within framework of "law of land" and not vice versa. Additionally all joint ventures, self financed schemes and projects where Government of Pakistan funds are committed have to be processed as per relevant rules of govt.

c. It was also pointed out that deviation from the approved govt policy of "Land Lord Port" strategy that envisioned out sourcing of many port related activities should be substantiated by consultants / experts reports.

d. The award of terminal operator contract to M/s HPH on the basis of verifying international interest (KPT rationale) is incomprehensible. Further, exacerbating the situation is the fact that award of terminal concession was based on premise that 16 meters deep draft 1500 long quay wall and 850,000 square meter back yard area would be available to terminal operator within a space of 2-3 years of signing of terminal lease. Both, the unseemly haste to award terminal contract with unworkable deadlines to contractors for above works has put the project in serious jeopardy. Explanation with consultant's reports on this issue is requested.

- e. Three vital contracts of dredging and reclamation, marine protection works and 16 meter deep quay wall were processed with major deviations from PPRA and other govt rules. The pre-qualification process especially in case of dredging works was tailored to a specific end of supporting Chinese CWE Company. Terminology of "post qualification" not allowed under PPRA was offered as a justification to the team.
- f. During the implementation of components of contract especially the dredging works awarded to CWE, a company not recommended by the consultant, major claims in excess of Rs. 8 billion have now been submitted by the dredging contractor and are under active consideration for payment by KPT. Arbitration notices have been proffered by dredging contractor and others too. KPT is advised to strictly follow the contract and not use any extra contractual discretions and penalty clause of contract of timeline overstepping must be invoked against the contractor.
- g. KPT land allotment policy has been reported to favor select few under a commercialization and land utilization regime not approved by civil agencies. Details of the policy alongwith allotments of last 5 few years be sent to NAB (Sindh) for necessary action at their end.
- h. KPT team was informed in unequivocal terms that no single tender is allowed as provisioned in govt rules except clause D para 3 SRO 1077(I)2010 dated 26 May 2010 of PPRA. Details of any such processing be intimated to NAB forthwith.
- i. Govt has specific instructions that no departmental delegation under any dispensation can undertake foreign inspection tours at expense of contractor. Detail of all such visits /inspections in last 3 years to be given in a written report to NAB alongwith other documents requested in the presentation within a week after receipt of this letter.

3. The NAB team was also very concerned on the Core human resource that is available to KPT for handling mega and complex commercial projects. Officers involved in previous misdemeanors, either retired or as counter part personal are running affairs of KPT. Similar review of the bonafide of KPT board and its role in stamping / validating decisions in violation of govt rules and policies is warranted.

4. Issued with approval of competent authority with an endeavour to improve regulatory mechanism of Federal and Provincial organizations under the provision of Prevention Regime enshrined in NAO 1999, please.

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