



TRANSPARENCY INTERNATIONAL-PAKISTAN

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19th July, 2014

Mr. Nargis Sethi,
Secretary,
The Ministry of Water and Power,
Govt. of Pakistan,
Islamabad.

Sub: Fraudulent Practices for Award of Contract by NTDC MP&M Department and Nespak in 500 KV Neelum Jehlum Transmission Line Construction Project.

Dear Madam,

This is with reference to Transparency International Pakistan letter dated 19th June, 2014 and reply of National Transmission & Despatch Company (NTDC) letter dated 7th July, 2014. **Annex-A. and Annex-B.**

Transparency International Pakistan received a complaint against M/s NTDC and M/s Nespak for manipulating in the tender in 500 KV Neelum Jehlum Transmission Line Construction Project, which was reported on 19th June, 2014, but NTDC reply dated 7th July, 2014 is a prototype attitude of NTDC of blaming game shift its responsibilities on consultants or others, which has reportedly increased the corruption since last many decades.

This shall be known that TI Pakistan asks the procuring agencies clarification under Constitutional provision Article 19-A, which must not be denied.

The reply of NTDC that the complainant is not the stakeholder in the bidding process is a frivolous excuse for avoiding to addressing the reported allegation of corruption which may cause double than market price to NTDC as the lowest responsive evaluated bids are amounting to Rs 2.5 Billion, whereas M.s Nespak is recommending bids worth Rs 4.93 Billion for awarding of contracts.

Corruption is rampant in Ministry of Water and Power which is one of the main cause of the current energy shortage, on which Transparency International Pakistan has regularly been informing the Ministry of Water and Power, and this procurement is an exemplary role model case of corruption.

It appears that M/s Nespak which is the department under Ministry of Water and Power has been always involved in corruption, and has been awarded contacts by MoW&P without tender, in violation of PPRA Rules viz. Nandipur, on which cost has increased from Rs 22 billion to Rs 60 billion.

The Secretary is requested to take immediate action against NTDC and Nespak in this particular allegation of corruption, if she is serious on implementing the Prime Minister's declared policy of 'Zero Tolerance in corruption'.



The NTDC must be directed not to award these contract unless and until the Secretary being the principal accounting officer give her consent on this particular complain.

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 Muzzafar
Chairman

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

1. Secretary to Prime Minister, Islamabad, the Corruptioun of MoW& P has cuase cuuret energy crises.
2. Mr. Khurshid Shah, Leader of Oposition & Chairman, PAC, National Assembly, Islamabad.
3. Chairman, NAB, Islamabad.
4. Mr. Khuwaja Asif, Minister of Water & Power, Islamabad.
5. Registrar, Supreme Court of Pakistan, Islamabad.
6. Managing Director, NTDC, Lahore.
7. Managing Director, PPRA, Islamabad.



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25th June, 2014

Mr. Tahir Mahmood
Managing Director,
National Transmission & Despatch Company (NTDC) Limited
Ministry of Water and Power,
WAPDA House Lahore, Pakistan
Govt. of Pakistan,
Lahore

Sub: Allegation of Rs. 2.5 Billion Fraud in Award of Contracts at Rs 4.9 Billion by NTDC and NESPAK in 500 KV Neelum Jehlum Transmission Line Construction Project.

Dear Sir,

Transparency International Pakistan has received a complaint, regarding violation of PPRA Rules by Chief Engineer MP&M and M/s NESPAK for award of three Lost of Neelum Jehlum 500 KV Transmission Line construction work project at 2 to 3 times higher cost than the lowest tendered costs. Annex-A

The complainant has provided the details of the fraudulent act that has taken place in the tendering process are namely;

1. Announcement of Tender as NCB.
2. Misguiding Pre-bid Clarification to the bidder regarding NCB.
3. Qualification Criteria of Tender for 3 Local Companies only.
4. Suspicious Role of NESPAK the consultant.
5. Award of tender on basis of Bribe.

The main allegations are;

1. That M/s NESPAK has recommended to award of contract by NESPAK despite highest price is raising lot of questions on biased evaluation by NESPAK, detail of M/s ICC price difference with lowest bidder in Neelum Jehlum Project is given below.

Section of Project	Lowest Bidder Price (Million PKR)	ICC Price (Million PKR)	Difference (%)
Lot I (Neelum Jehlum side)	786.4 (PCC)	1934	146%
Lot II (Section in Center)	995 (PCC)	1831.7	84%
Lot III (Near Domeli End)	744 (NEIE-Alhussain JV)	1165.7	57%
Total	Rs 2.525 Billion	Rs 4.930 Billion	100%

2: That it is also suspicious that why ICC Pvt Ltd being very experienced contractor offered so high prices in competitive bidding, some experts believes that before submission of bid ICC was ensured by their supporters in MP&M department and NESPAK that whatever price is filled by them they will be awarded the work, some other experts opinion is that ICC has to pay huge kickbacks to their partners in MP&M and NESPAK therefore they raised their price. It is also said that ICC offered price is not the actual price, the total cost of project will increase further 30 to 50% due to tactical filling of prices by M/s ICC.

3. That in best interest of Pakistan and for saving of nation wealth, it is recommended that contract should be awarded to the lowest bidders that are. *ay*

A NON-PARTISAN, NON-PROFIT COALITION AGAINST CORRUPTION

Donations exempted from tax U/S 2 (36) (c) of I. Tax Ordinance 2001



Section of Project	Lowest Bidder Price (Million PKR)
Lot I (Neelum Jehlum side)	Power Line Construction Company
Lot II (Section in Center)	Power Line Construction Company
Lot III (Near Domeli End)	NEIE-Alhussain Joint Venture

4. That in case NTDC considers above companies are deficient in certain qualification requirements, this is very discouraging way to immediately disqualify the lowest bidder and award contract to the highest price bidders (giving loss of hundreds of Millions to Government of Pakistan), these companies should be given chance to fulfill requirement like arrangement and proof of funds for completion of the projects, provision of additional guarantee for completion of project on time etc, although these companies claim that they are fully capable for performance of work.

According to the complainant, the procedure adopted by NTDC and NESPAK has resulted in rejection of lowest evaluate bids on some grounds (alleged to be manipulated), and Rs 2.5 Billion is being doled out in a contracts quoted by bidders at Rs. 2.5 Billion, by considering to award the 3 Contracts at Rs 4.9 Billion to M/s ICC PVT Ltd.

Transparency International Pakistan has examined that complaint, as well as the Tender Opening Report dated 28-4-2014, **Annex-B** duly signed by 3 officers of NTDC, and PM, M/s NESPAK, and prima facie, this procurement is in violation of PPRA Rules, as NTDC is not allowed to award contracts at 200 to 300% above the lowest bids, as competitive rates could not have been ascertained due to flaws in bidding process as well as evaluation process, pointed out by the complainant.

The Managing Director is requested to examine this genuine complaint, and if found true, action may be taken to discharge the tenders, and re invite all the three tenders, and action for accountability shall also be taken against all those responsible.

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. Secretary to Prime Minister, Islamabad.
2. Mr. Khurshid Shah, Leader of Opposition & Chairman, PAC, National Assembly, Islamabad.
3. Chairman, NAB, Islamabad.
4. Mr. Khawaja Asif, Minister of Water & Power, Islamabad.
5. Ms. Nargis Sethi, Secrartry, MOW&P, Islamabad,
6. Registrar, Supreme Court of Pakistan, Islamabad.
7. Managing Director, PPRA, Islamabad.



NATIONAL TRANSMISSION & DISPATCH CO. LTD.

CHIEF ENGINEER (MP&M) NTDCL

No.CE/MP&M/MP/DM-I/T-3217(R)-1C/241-42

Dated: 07-07-2014

✓ **Transparency International**

5-C, 2nd Floor, Khayaban-e-Ittehad, Phase VII,
Defence Housing Authority, Karachi.

SUB: FRAUDULANT PRACTICES FOR AWARD OF CONTRACT BY NTDC MP&M DEPARTMENT & NESPAK IN 500 KV NEELUM JHELUM TRANSMISSION LINE CONSTRUCTION PROJECT

Ref: Your office letter dated 19th June, 2014.

With reference to your above referred letter, it is clarified that the evaluation and award of contract against any tender pertaining to Neelum-Jhelum Project is not yet finalized. Pursuant to Clause 24.1 of Section-II of the Bidding Documents, the bid evaluation process is confidential. Any attempt made by the bidder at this stage may result in rejection of his bid. Moreover, such practices also fall under the definition of corrupt and Fraudulent Practices as per PPRA Rule 2(f).

The complaint is baseless and frivolous and the complainant has just tried to spoil the latest developments made by NTDCL for execution of National importance Project in a smooth & timely manner.

Further, it is elaborated that Bidding documents for the subject project have been prepared by the Engineer i.e. Nespak using standard bidding documents of Pakistan Engineering Council in line with PPRA Rules & bids are also being evaluated by them. MP&M has neither any role in preparation of bidding documents nor in the evaluation process as the complainant has tried to create an impression.

The complainant is not the stakeholder in the bidding process. It is therefore requested that such malicious activities by anonymous/bidders during evaluation stage should be discouraged to avoid loss to the country.

Our objective is also the same to carry out transparent & economic procurement.


CHIEF ENGINEER (MP&M) NTDCL

cc:

1. M.D (NTDCL), WAPDA House, Lahore.