



09th July 2011

Mr. Muhammad Shakil Durrani,
Chairman,
Water And Power Development Authority,
701, WAPDA House, Lahore.

Sub: Tender Enquiry No. CEO/MZG/RE-4/T-02 for the Procurement of Fuel Oil Additive based on Magnesium Hydroxide along with Supply, Installation of Necessary Dosing, Monitoring Equipment for Unit No. 1, 2, 3,4,5& 6, TPS Muzaffargarh .

Dear Sir,

Transparency International has been informing time and again WAPDA on violations of the Public Procurement Rules 2004 in the tender for procurement of fuel oil additive for Muzaffargarh by PEPCO whose estimated cost is over Rs 80 million.

Kindly note this project is also being funded under USAID grant.

It has been reported that a specific material by fuel oil additive based on magnesium hydroxide a specific supplier M/s System Separation of Sweden, is being manipulated by PEPCO in this procurement.

Under Rule 10 of the Public Procurement Rules 2004, specification to favour any single contractor or supplier is not allowed. The rule is quoted below for your information;

10. Specifications.- *Specifications shall allow the widest possible competition and shall not favour any single contractor or supplier nor put others at a disadvantage. Specifications shall be generic and shall not include references to brand names, model numbers, catalogue numbers or similar classifications. However if the procuring agency is convinced that the use of or a reference to a brand name or a catalogue number is essential to complete an otherwise incomplete specification, such use or reference shall be qualified with the words "or equivalent".*

It is also noticed that clarification of PEPCO to TI-P is different than what they have been clarifying to other agencies like the Public Procurement Regulatory Authority.

This is a crystal clear case of violation of the Public Procurement Rules 2004 as PEPCO has not been able to change from its stand of favouring single supplier, and therefore at the time of the bid opened on 16th June 2011, only one bidder M/S INTAS local agent M/s System Separation of Sweden has submitted its responsive bid. This confirms the collusion between PEPCO and M/S INTAS/ M/s System Separation of Sweden .

The complaint is also that the product specified by PEPCO has not been used by any other Power Plant in Pakistan, and is less effective and needs three time doze than other more effective product i.e. exchequer will lose about Rs 55 million.



The above act comes under Rule 2(f) "Fraudulent and Corrupt Practices", which has deprived the Government of Pakistan of the competitive list, thereby causing loss of exchequer revenue, as well as misuse of USAID grant. Rule 2(f) is stated below for your reference;

2(f) "corrupt and fraudulent practices" *includes the offering, giving, receiving, or soliciting of anything of value to influence the action of a public official or the supplier or contractor in the procurement process or in contract execution to the detriment of the procuring agencies; or misrepresentation of facts in order to influence a procurement process or the execution of a contract, collusive practices among bidders (prior to or after bid submission) designed to establish bid prices at artificial, non-competitive levels and to deprive the procuring agencies of the benefits of free and open competition and any request for, or solicitation of anything of value by any public official in the course of the exercise of his duty;*

TI-P requests the Chairman to kindly look into the procurement and take administrative action against corrupt practices under the law of Pakistan.

With Regards,



Syed Adil Gilani
Chairman

Copies forwarded for the information of:

1. Chairman, Public Accounts Committee, Islamabad.
2. Mr. Charles Zimmerman, OIG, USAID, Islamabad.
3. Chairman, NAB, Islamabad.
4. Registrar, Supreme Court.
5. Auditor General, Islamabad.
6. Managing Director, PPRA, Islamabad.