

**NATIONAL HIGHWAY AUTHORITY**  
**(Legal Bureau)**

No.1(119)/LB/NHA/2010/112 |

Islamabad the, 28<sup>th</sup> June, 2010

**Ms Najma Siddiqui**  
Joint Secretary (PAC & C-II)  
National Assembly Secretariat  
**Islamabad**

Subject:- **Violation of Public Procurement Rules : Notice taken by Public Accounts Committee**

Ref:- U.O. No.F.1(1)/2010-PAC dated 18<sup>th</sup> May, 2010

Replies of NHA to the letter of M/s Transparency International Pakistan dated 16<sup>th</sup> September 2009 is as under, while the queries sought vide your referred letter have been addressed in para 3 of the running response/para-wise comments:-

In response to para 1 and 2 it is hereby submitted and informed that the respective Inquiry Report upon direction of Ministry of Communications was made public which is available on the web site of NHA, [www.nha.gov.pk](http://www.nha.gov.pk). Moreso, the copy of Inquiry Report officially received by NHA is enclosed herewith. NHA was not provided nor given access to annexures comprising over 5000 pages as alleged in the para. NHA has got no information pertaining the tempering of contents of respective Inquiry Report by PMIC, IT.

2. In response to para 3, it is submitted that the CAR Insurance Policy is being confused with performance guarantee and mobilization advance guarantees. As CAR (Contractor All Risk) Insurance Policies always safe-guard the Employers, where there is risk involved. According to clause 21.1 of FIDIC GCC Edition-IV the provision of insurance for works and contractor's equipment is duly incorporated which pertain to cover any additional cost of and incidental to the rectification of losses or damaged any part of works in form of the additional sum of 15%.

It is further submitted that Insurance is a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss. The transaction involves the insured assuming a guaranteed and known relatively small loss in the form of payment to the insurer in exchange for the insurer's promise to compensate (Indemnify) the insured in the case of a large, possible devastating loss.

On the other hand, the guarantee business rests with banks only as a guarantee from a lending institution or a bank ensures that the liabilities of a debtor will be met. In other words, if the debtor fails to settle a debt, the bank will cover it. That is why banks do secure the full amount of guarantee by keeping adequate cash margins and mortgaging other fixed assets.

Hence, in the circumstances no amount is to be recovered *qua* CAR Insurance Policy. Furthermore, NHA has mandatorily started, procuring CAR Insurance Policy to safe-guard the interest of Authority and public ex-chequer.

Therefore, it is hereby reiterated that in purview of the CAR Insurance Policy, strictly, no amounts is liable to be recovered as the performance guarantees duly cover Employers losses in case of any rectification or damage caused to works done.

3. In response to para 4, as far as the matter of NESPAK is concerned, the information that 14 major contracts have been awarded to NESPAK without inviting tenders is incorrect. Actually, the following three major contracts have been awarded, which were finalized on negotiations, detailed as under:-

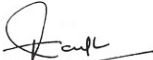
S #	Description	Agreement Date	Amount (Rupees)
1	Design vetting & construction Supervision for Up-gradation of Surab Basima Nag-Panjgur-	28 <sup>th</sup> January 2008	467,571,400

	Hushab Section N-85 (459 Kms)		
2	Assistance Services to Employer's Representative on Project of Improvement /Up gradation of KKH (N-35) from Raikot to Khunjrab (335 Kms)	28 <sup>th</sup> January 2009	203,984,002
3	Design & construction Supervision 2 <sup>nd</sup> Carriageway TORKHAM-JALALABAD Road Project	13 <sup>th</sup> April, 2009	142,724,812

However, it is pertinent to mention that NESPAK is a prestigious design and consultancy organization working under the auspicious of the Government of Pakistan. NESPAK has been engaged due to the particular nature of projects, which involved emergent engagement.

As far as the matter of including Vice President, NESPAK in Executive Board is concerned, the same is provided under Article 7 of NHA Act (1991 as amended in 2001) established by the Act of the Parliament.

4. Hence, there is no anomaly in the procurement process of NHA, as all the contracts are executed strictly in pursuance of PPRA Rules, 2004. We hope that the replies made above would sufficiently apprise your good office. Any further query would be addressed if desired.

  
**(Altaf Ahmed Chaudhry)**  
 Chairman, NHA

**Copy to:-**

- Secretary, Ministry of Communication, Islamabad.
- Auditor General of Pakistan, Islamabad.
- Chairman, NAB, Islamabad.
- PS to Chairman, PAC, National Assembly Secretariat, Islamabad.
- Chairman, Transparency International-Pakistan, Karachi.