Pakistan Infrastructure Implementation Capacity Assessment (PIICA)

Discussion Paper Series: Technical Note 10

RESPONSE TO INTERNATIONAL AND LOCAL BIDS

November 2007

Aized H. Mir, Sohail Abidi, Amer Z. Durrani

South Asia Sustainable Development Unit (SASSD)

Document of the World Bank
RESPONSE TO INTERNATIONAL AND LOCAL BIDS

November 2007

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(SASSD)

Document of the World Bank

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The discussion paper series were prepared as a part of the Pakistan Infrastructure Implementation Capacity Assessment (PIICA) study and comprise of the following technical notes.

Technical Note 1: Development of Construction Industry – A Literature Review
Technical Note 2: Local Stakeholders’ Perception Survey
Technical Note 3: Foreign Stakeholders’ Perception Survey
Technical Note 4: Business Environment and Cost of Doing Business
Technical Note 5: Purchase Price Review in the Infrastructure Industry
Technical Note 6: A Review of Allocations and Expenditures in the Public Sector
Technical Note 7: Demand – Supply Gap Analysis
Technical Note 8: International Case Studies – UAE, CHINA and MALAYSIA
Technical Note 9: Local Case Studies

**Technical Note 10: Response to International and Local Bids**

Technical Note 11: Focus Group Discussions
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ACKNOWLEDGEMENTS

Acknowledgements are due to the World Bank core team comprising Amer Zafar Durrani (Task Team Leader), Aized H. Mir (Co Task Team Leader), Hasan Afzal Zaidi, Dr. Zafar Raja, Hiam Abbas, Huma Waheed, Ermeena Malik, Abid Abrar Hussain, Mehreen Tanvir, Nazifa Sheikh, and Shaukat Javed.

The WB Consultants: M/s Engineering Associates [Sohail Abidi and Ahsan Siddiqi] for their valuable inputs and the provincial Foreign Aided Project Directors for providing relevant data.

Asif Faiz, Cesar Augusto Querio, Fabio Galli, Giovanni Casartelli, Fang Xu, John Carter Scales, Richard Seurfield, Shahzad Sharjeel, Usman Qamar and Uzma Sadaf, are thanked for their extensive review of the PIICA report which is based on the technical notes. Mazhar Malik’s extensive inputs on tackling Human Resource issues along with a detailed review of the report are greatly appreciated.

Unjela Siddiqi (M/s Media Solutions) and Huma Ajam for providing editorial support.
# GOVERNMENT FISCAL YEAR

**July 1 – June 30**

**CURRENCY EQUIVALENTS**

Currency Unit = Pakistan Rupee (PKR)

US$ 1 = PKR60.70 (February 6, 2007)

# ABBREVIATIONS AND ACRONYMS

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<tr>
<th>AASHTO</th>
<th>American Association of State Highway and Transportation Officials</th>
<th>GIKU</th>
<th>Ghulam Ishaq Khan University of Science &amp; Technology</th>
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<tr>
<td>ACI</td>
<td>Airports Council International</td>
<td>GoP</td>
<td>Government of Pakistan</td>
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<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
<td>GoS</td>
<td>Government of Sindh</td>
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<td>ADP</td>
<td>Annual Development Program</td>
<td>GoB</td>
<td>Government of Balochistan</td>
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<td>AIT</td>
<td>Asian Institute of Technology (Bangkok, Thailand)</td>
<td>HR</td>
<td>Human Resource</td>
</tr>
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<td>APCCA</td>
<td>All Pakistan Construction &amp; Contractors Association</td>
<td>HRDF</td>
<td>Human Resources Development Fund</td>
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<td>BCA</td>
<td>Building and Construction Authority</td>
<td>ICB</td>
<td>International Competitive Bidding</td>
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<tr>
<td>CAA</td>
<td>Civil Aviation Authority</td>
<td>ICT</td>
<td>Information and Communications Technology</td>
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<td>CAK</td>
<td>Contractors Association in Korea</td>
<td>IFC</td>
<td>International Finance Corporation</td>
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<td>CAPECO</td>
<td>The Peruvian Chamber of Construction</td>
<td>ILO</td>
<td>International Labor Organization</td>
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<tr>
<td>CBR</td>
<td>Central Board of Revenue</td>
<td>IPC</td>
<td>Interim Payment Certificate</td>
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<td>CDA</td>
<td>Capital Development Authority</td>
<td>JXB</td>
<td>Jebel Ali International Airport</td>
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<tr>
<td>CICA</td>
<td>Confederation of International Contractors’ Association</td>
<td>KPT</td>
<td>Karachi Port Trust</td>
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<td>CIDB</td>
<td>Construction Industry Development Board</td>
<td>KWSB</td>
<td>Karachi Water and Sewerage Board</td>
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<td>CICC</td>
<td>Construction Industry Joint Committee</td>
<td>L/C</td>
<td>Letter of Credit</td>
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<td>CITC</td>
<td>Construction Industry Training Center</td>
<td>LCB</td>
<td>Local Competitive Bidding</td>
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<tr>
<td>CITI</td>
<td>Construction Industry Training Institute</td>
<td>LUMS</td>
<td>Lahore University of Management Sciences</td>
</tr>
<tr>
<td>COTI</td>
<td>Construction Official Training Institute</td>
<td>MBA</td>
<td>Master of Business Administration</td>
</tr>
<tr>
<td>CRS</td>
<td>Contractors’ Registry System</td>
<td>MCA</td>
<td>Monopoly Control Authority</td>
</tr>
<tr>
<td>CWTC</td>
<td>Construction Workers Training Center</td>
<td>MIT</td>
<td>Massachusetts Institute of Technology</td>
</tr>
<tr>
<td>DBS</td>
<td>Development Bank of Singapore</td>
<td>MOC</td>
<td>Ministry of Construction (Korea)</td>
</tr>
<tr>
<td>DELFT</td>
<td>Delft University of Technology, Holland</td>
<td>MTDF</td>
<td>Medium Term Development Framework</td>
</tr>
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<td>DEWA</td>
<td>Dubai Electricity and Water Authority</td>
<td>NAB</td>
<td>National Accountability Bureau</td>
</tr>
<tr>
<td>DFCs</td>
<td>Development Finance Companies</td>
<td>NEPRA</td>
<td>National Electric Power Regulatory Authority</td>
</tr>
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<td>DIB</td>
<td>Dubai Islamic Bank</td>
<td>NESPAK</td>
<td>National Engineering Services Pakistan (Pvt.) Ltd.</td>
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<td>DIFC</td>
<td>Dubai International Financial Center</td>
<td>NHA</td>
<td>National Highway Authority</td>
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<td>DLC</td>
<td>Dubai Logistics City</td>
<td>NIT</td>
<td>Notice Inviting Tender</td>
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<td>DURL</td>
<td>Dubai Rail Link</td>
<td>NLC</td>
<td>National Logistic Cell</td>
</tr>
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<td>EDR</td>
<td>Engineering Development Board</td>
<td>NPRP</td>
<td>National Procurement Reforms Program</td>
</tr>
<tr>
<td>ENR</td>
<td>Engineering News Record</td>
<td>NWFP</td>
<td>North-West Frontier Province</td>
</tr>
<tr>
<td>FBR</td>
<td>Federal Board of Revenue</td>
<td>OGRA</td>
<td>Oil &amp; Gas Regulatory Authority</td>
</tr>
<tr>
<td>FBS</td>
<td>Federal Bureau of Statistics</td>
<td>P&amp;D</td>
<td>Planning and Development</td>
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<tr>
<td>FIA</td>
<td>Federal Investigation Agency</td>
<td>PC-1</td>
<td>Planning Commission’s Performa 1</td>
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<tr>
<td>FIDIC</td>
<td>International Federation of Consulting Engineers</td>
<td>PEC</td>
<td>Pakistan Engineering Council</td>
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<tr>
<td>FWO</td>
<td>Frontier Works Organization</td>
<td>PERT/CPM</td>
<td>Project Evaluation Review Technique/Critical Path Method</td>
</tr>
<tr>
<td>PIDs</td>
<td>Provincial Irrigation Departments</td>
<td>SOP</td>
<td>Security of Payment</td>
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<tr>
<td>Acronym</td>
<td>Description</td>
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<tr>
<td>PKR</td>
<td>Pakistan Rupee</td>
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<tr>
<td>PPP</td>
<td>Purchase Power Parity</td>
<td></td>
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<tr>
<td>PPRA</td>
<td>Public Procurement Regulatory Authority</td>
<td></td>
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<tr>
<td>PSDP</td>
<td>Public Sector Development Program</td>
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<tr>
<td>PTA</td>
<td>Pakistan Telecommunication Authority</td>
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<tr>
<td>RFP</td>
<td>Request for Proposal</td>
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<tr>
<td>RTA</td>
<td>Road &amp; Transport Authority (Dubai)</td>
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<tr>
<td>SECP</td>
<td>Security and Exchange Commission of Pakistan</td>
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<tr>
<td>SNGPL</td>
<td>Sui Northern Gas Pipelines Limited</td>
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<tr>
<td>SPO</td>
<td>Special Purpose Organization</td>
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<tr>
<td>SSGC</td>
<td>Sui Southern Gas Company</td>
<td></td>
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<tr>
<td>TEVTA</td>
<td>Technical Education and Vocational Training Authority</td>
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<tr>
<td>ToR</td>
<td>Terms of Reference</td>
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<tr>
<td>UAE</td>
<td>United Arab Emirates</td>
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<td>USAID</td>
<td>United States Agency for International Development</td>
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<tr>
<td>WAPDA</td>
<td>Water and Power Development Authority</td>
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<tr>
<td>WB</td>
<td>World Bank</td>
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Technical Note 10
RESPONSE TO INTERNATIONAL & LOCAL BIDS

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OBJECTIVES

Several stakeholders in the Pakistan construction industry have expressed concern about the apparent poor response to recent international and local bids. The objectives of the study were to evaluate the level of response to recent international and local tenders and to assess the level of interest of international firms to bid on projects in Pakistan.

METHODOLOGY

Bid data were obtained from executing agencies on several road projects being funded by the Asian Development Bank (ADB) in Pakistan. The projects entailed both international and local competitive bids invited in 2005-07. The information regarding bid-response and other related tender information was compiled for the purpose of the study.

FINDINGS

Response to International Competitive Bidding (ICB)

The response to recent invitations to bid on projects across Pakistan has been poor from both international and local firms. Although, tendering was open to both international and local contractors, most firms that submitted bids have been local. Generally, the same set of four or so contractors repeatedly bid for projects across the country, and the lowest bidder always won the contract. There was apparently minimum weight-age given to an evaluation of the technical capability of the lowest bidder. Value of contracts offered for bidding ranged between $US5 million to $US40 million. Province wise details are as follows.

Sindh

Name of the Project: Sindh Road Sector Development Project in district Thatta, Nawabshah & Khairpur.

Brief Description: The project aims to improve and rehabilitate 164 km of the provincial highways. Civil works under the project will cost Rs3,312 million and are expected to be completed within 20 months from 12-5-2005 thru 11-1-2007. Funding is arranged from ADB and by the Government of Sindh (GoS). For construction purposes, the project was divided into three packages.

- Contract # P1 Thatta – Sujawal Road (30 km)
- Contract # P2 Nawabshah – Padidan Road (67 km)
- Contract # P3 Padidan Road – Ranipur Road (67 km)

Pre-qualified Contractors: Three international and six large local construction firms were pre-
qualified for each of the contract packages.

- M/s China Road & Bridge Corporation Beijing, China
- M/s S.A.M.B.U Joint Venture
- M/s China International Water & Electric Corporation, Karachi
- M/s Sardar Mohammad Ashraf. D. Balouch, Karachi
- M/s Habib Rafiq Pvt. Ltd., Lahore
- M/s Lily Shah Rukh, Karachi
- M/s ECHO West International Pvt. Ltd., Lahore
- M/s Muhammad Ayub & Brothers, Karachi

Bid documents were collected by only 3 firms in the case of construction packages 1 and 3, and only four firms in the case of package 2. All construction packages were eventually won by local firms on the basis of lowest cost bids as shown in Table 1 (winning bidders are shown highlighted). Estimated value of contracts varied from $US9 to 16 million.

### Table 1: Projects and Bidders in Sindh

<table>
<thead>
<tr>
<th>Sindh</th>
<th>Project</th>
<th>Pre-Qualified Contractors</th>
<th>Tender Documents Collected by</th>
<th>Bids Submitted by</th>
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<tr>
<td>Package 1</td>
<td>Thatta-Sujawal</td>
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<td></td>
<td></td>
<td>M/s Sardar Mohammad Ashraf. D. Balouch</td>
<td>X  X</td>
<td>X</td>
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<tr>
<td></td>
<td></td>
<td>M/s Lily Shah Rukh, Karachi</td>
<td>X  X</td>
<td>X</td>
</tr>
<tr>
<td>Package 2</td>
<td>Nawabshah-Padidan</td>
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<tr>
<td></td>
<td></td>
<td>M/s Sardar Mohammad Ashraf. D. Balouch</td>
<td>X  X</td>
<td>X</td>
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<tr>
<td></td>
<td></td>
<td>M/s Lily Shah Rukh, Karachi</td>
<td>X  X</td>
<td>X</td>
</tr>
<tr>
<td>Package 3</td>
<td>Padidan-Ranipur</td>
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<td></td>
<td></td>
<td>M/s Sardar Mohammad Ashraf. D. Balouch</td>
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<tr>
<td></td>
<td></td>
<td>M/s Lily Shah Rukh, Karachi</td>
<td>X  X</td>
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</tbody>
</table>

Winning bidders are highlighted in the table above.

Brief details of the project, contract packages and bids are:

**Package 1:**
- PCI cost: Rs546 million
- Contract Cost: Rs739 million

**Tender Documents Collected by:**
- M/s Sardar Mohammad Ashraf. D. Balouch, Karachi
- M/s Lily Shah Rukh, Karachi

**Bids Submitted by:**
- M/s Sardar Mohammad Ashraf. D. Balouch, Karachi
- M/s Lily Shah Rukh, Karachi
**Work Awarded** to the M/s Lily Shah Rukh, Karachi, for being the lowest evaluated bidder at 35 percent above estimated cost.

**Package 2:**
PCI cost: Rs1,014 million  
Contract Cost: Rs1,353 million

**Tender Documents Collected by:**
- M/s Sardar Mohammad Ashraf. D. Balouch, Karachi
- M/s Lily Shah Rukh, Karachi
- M/s China International Water & Electric Corporation, Karachi

**Bids Submitted by:**
- M/s Sardar Mohammad Ashraf. D. Balouch, Karachi
- M/s Lily Shah Rukh, Karachi
- M/s China International Water & Electric Corporation, Karachi

**Work Awarded** to M/s Sardar Mohammad Ashraf. D. Balouch, Karachi at 33.4 percent above estimated cost, for being the lowest evaluated bidder.

**Package 3:**
PCI cost: Rs1,028 million  
Contract Cost: Rs1,220 million

**Tender Documents Collected by:**
- M/s Lily Shah Rukh, Karachi
- M/s China International Water & Electric Corporation, Karachi

**Bids Submitted by:**
- M/s S.M.C.-S.K.B JV, Lahore (M/s Zee Khan Associates Pvt. Ltd., Lahore)
- M/s Lily Shah Rukh, Karachi
- M/s China International Water & Electric Corporation, Karachi

**Work Awarded** to the lowest evaluated bidder - M/s S.M.C.- S.K.B. JV, Lahore (M/s Zee Khan Associates Pvt. Ltd., Lahore) at 18.7 percent above the estimated cost.

**NWFP**

Under the NWFP Road Sector Development Project, three packages were offered for bidding. Several companies participated in the first two packages, but for Package 3, only three bids were received (winning bidders are shown highlighted in Table 2). **International firms had participated in the first two packages, but none showed interest in the last two bids.**

The contract packages varied in cost between Rs320 to 550 million ($US5 to 9 million).
Table 2: Projects and Bidders in NWFP

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<td>Package 1</td>
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<td>Package 2</td>
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<td>Package 3</td>
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<tr>
<td>Package 4</td>
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</tr>
</tbody>
</table>

Winning bidders are highlighted in the table above.

Package wise details are as follows:

**Package 1:**
**Name of the Project:** Dargai – Landaki Road, Section: Dargai – Landaki (contract package-I)

**Brief Description:** Length of road: 37km
**Engineer’s Estimate:** Rs401 million
**Lowest Bid Cost:** Rs439 million
**Bids Submitted by:**
- M/s Shah Zaman Pvt. Ltd.
- M/s Al Khan Construction Co.
- M/s Sultan Mahmood & Co. Karachi
- M/s M. Ikram & Co.
- M/s China Road & Bridge Corporation Bejing China
- M/s China International Water & Electric Corporation, Karachi

**Work Awarded to** M/s. M. Ikram & Co. within 10 percent of the estimated cost, on the basis of being the lowest evaluated bidder.

**Package 2:**
**Name of the Project:** Khwazakhela – Besham Road, Section: Khwazakhela – Alpuri (contract package-II),

**Brief Description:** Length of road: 31.4km, **Engineer’s Estimate:** Rs324 million
**Lowest Bid Cost:** Rs326 million
**Bids Submitted by:**
- M/s Shah Zaman Pvt. Ltd.
- M/s Al Khan Construction Co.
- M/s Sachal Engineering Works
- M/s M. Ikram & Co.
- M/s Saadullah Khan & Br.
- M/s China Road & Bridge Corporation Beijing China
- M/s China International Water & Electric Corporation, Karachi

**Work Awarded to** M/s Al Khan Construction Co. at almost the estimated cost and they were also the lowest evaluated bidders.

**Package 3:**
**Name of the Project:** Khwazakhela – Besham Road, Section: Alpuri – Besham (contract package-III)

**Brief Description:** Length of road: 29.3km,
**Engineer’s Estimate:** Rs341 million
**Lowest Bid Cost:** Rs345 million

**Bids Submitted by:**
- M/s Shah Zaman Pvt. Ltd.
- M/s Sachal Engineering Works
- M/s Saadullah Khan & Br.

**Work Awarded to** the lowest evaluated bidder - M/s Sachal Engineering Works at almost the estimated cost.

**Package 4:**
**Name of the Project:** Khwazakhela–Kalam Road, Section: Km 16+500 to 67+150 (contract package-IV)

**Brief Description:** Length of road: 51km,
**Engineer’s Estimate:** Rs524 million
**Lowest Bid Cost:** Rs640 million

**Bids Submitted by:**
- M/s Sultan Mahmood & Co. Karachi
- M/s Khalid Rauf & Co.
- M/s Sachal Engineering Works
- M/s Saadullah Khan & Br.

**Work Awarded to** M/s Sultan Mahmood & Co. for being the lowest evaluated bidder, at 22 percent above the estimated cost.

**Balochistan**

Data was collected on the bid response to ICB contract packages 5 and 7 under the ADB assisted Balochistan Road Sector Development Project. These two ICB packages were the first offered for bidding. Out of 9 pre-qualified bidders, two were international firms and one a joint venture between an international and a local firm. Six of the pre-qualified firms collected bidding documents, while three submitted bids for package ICB-5 and five for package ICB-7. *Only one foreign contractor in joint venture with a local firm participated in the bidding* (refer Table 3).
Estimated cost of the contract packages was $US22 and 20 million respectively.

Table 3: Projects and Bidders in Balochistan

<table>
<thead>
<tr>
<th>Balochistan</th>
<th>Project</th>
<th>Pre-Qualified Contractors</th>
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<td>Zhob-Mir Ali Khel Khajuri Kach</td>
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<td>Kach Shahrag Harmai</td>
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<tr>
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<td>Tender Documents Collected by</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bids Submitted by</td>
</tr>
</tbody>
</table>

Winning bidders are highlighted in the table above.

Details of the project and contract packages are as follows:

**Name of the Project:** BRSDP Civil Works

**Brief Description:** Under the BRSDP 1,045km of provincial and rural roads will be designed and constructed in various districts of Balochistan. Zhob-Mir Ali Khel-Khajuri-Kach road (ICB-5) of length 101km and the Kach-Shahrag-Harnai road (ICB-7) of length 95km are two important provincial roads to be constructed under the project. Construction of these two roads was scheduled to start in November 2005 with an expected completion time of 36 months. The ADB provided 62 percent of the cost of civil works and Government of Balochistan 38 percent.

**Pre-qualified Contractors for ICB-5 and ICB-7:**
- M/s China Road & Bridge Corporation Beijing China
- M/s Lagan Holdings Ltd.
- M/s SKB Engineering & Construction, Lahore
- M/s Sardar Mohammad Ashraf. D. Balouch, Karachi
- M/s Descon Engineering Ltd.
- M/s Sultan Mahmood & Co. Karachi
- M/s ECHO West International Pvt. Ltd., Lahore
- M/s Husnain Cotex Ltd., Lahore
- M/s Muhammad Ayub & Brothers, Quetta, Joint Venture M/s. GURIS (Turkish Joint Venture)

**Contract: ICB-5**

**PCI cost:** Rs1,341 million

**Contract Cost:** Rs1,447 million

**Tender Documents Collected by:**
- M/s Sardar Mohammad Ashraf. D. Balouch, Karachi
- M/s Husnain Cotex Ltd., Lahore
- M/s SKB Engineering & Construction, Lahore
- M/s Muhammad Ayub & Brothers, Quetta, JV M/s. GURIS (Turkish Joint Venture)
- M/s China Road & Bridge Corporation Beijing China
- M/s Sultan Mahmood & Co. Karachi

**Bids Submitted by:**
- M/s Husnain Cotex Ltd., Lahore
- M/s SKB Engineering & Construction, Lahore
- M/s Muhammad Ayub & Brothers, Quetta, JV M/s. GURIS (Turkish Joint Venture)
- M/s Sultan Mahmood & Co. Karachi

**Work Awarded to** the lowest evaluated bidder - M/s Husnain Cotex Ltd., Lahore

**Contract: ICB-7**

**PCI cost:** Rs1,252 million

**Contract Cost:** Rs1,305 million

**Tender Documents Collected by:**
- M/s Sardar Mohammad Ashraf. D. Balouch, Karachi
- M/s Husnain Cotex Ltd., Lahore
- M/s SKB Engineering & Construction, Lahore
- M/s Muhammad Ayub & Brothers, Quetta, JV M/s. GURIS (Turkish Joint Venture)
- M/s China Road & Bridge Corporation Beijing China
- M/s Sultan Mahmood & Co. Karachi

**Bids Submitted by:**
- M/s Sardar Mohammad Ashraf. D. Balouch, Karachi
- M/s Husnain Cotex Ltd., Lahore
- M/s SKB Engineering & Construction, Lahore
- M/s Muhammad Ayub & Brothers, Quetta, JV M/s. GURIS (Turkish Joint Venture)
- M/s Sultan Mahmood & Co. Karachi

**Work Awarded to** the lowest evaluated bidder - M/s Husnain Cotex Ltd., Lahore

**Punjab**

In Punjab, the lack of bid response was surprising. Since Punjab has the most risk free environment as compared to the other three provinces, it was expected that projects in Punjab would have evoked a better response from large local and international contractors.

Response to bids was evaluated for two ADB assisted projects. For the first, “Provincial Highway Project” comprising three packages, bidding was open to pre-qualified large local and international contractors, however, only 3 of the 6 international firms collected bidding documents. All three submitted bids and each of the three firms were awarded one package of works each.

For the second “Punjab Road Sector Development Project”, comprising four packages,
eight international and local firms were pre-qualified. Even for this project, the response remained dismal. For packages 1, 3 and 4, only two bids were received (one local and one foreign firm), while for package 2, only one bid was received (refer Table 4).

Estimated value of contracts offered for bidding ranged between $US15 million to $US30 million.

Table 4: Projects and Bidders in Punjab

<table>
<thead>
<tr>
<th>Proscroll Highway Project – ADB Loan 1185</th>
<th>Pre-qualified: 6 International firms, bid documents collected by only 3 firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract</td>
<td>China RBC</td>
</tr>
<tr>
<td>Package 1</td>
<td>X</td>
</tr>
<tr>
<td>Package 2</td>
<td>X</td>
</tr>
<tr>
<td>Package 3</td>
<td>X</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Punjab Road Sector Development Project – ADB Loan 1928</th>
<th>Pre-qualified contractors - 8 firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract</td>
<td>China IWEC</td>
</tr>
<tr>
<td>Package 1</td>
<td>X</td>
</tr>
<tr>
<td>Package 2</td>
<td>X</td>
</tr>
<tr>
<td>Package 3</td>
<td>X</td>
</tr>
</tbody>
</table>
| Package 4                                              | X          |               |        |        |           |     |     |                   |         | Winning bidders are highlighted in the table above

Further details on the bidding are as follows:

**Project 1**

**Name of the Project:** Provincial Highways Project, Punjab-Loan No: 1185, Pak (3 components)

**Brief Description:** The project envisaged the development of key provincial roads including their design, construction and supervision. The project was divided into three contract packages:

**CP-1** with a length of 139 km and an estimated cost of Rs1,700 million consisted of three sub-sections.
- CP-1 (1) Jhang – Chiniot (80.4km)
- CP-1 (2) Sargodha – Talibwala (43.1km)
- CP-1 (3) Daska – Sialkot (15.5km)

**CP-2** also consisted of three sub sections with a total length of 104 km and an estimated cost of Rs1,200 million.
- CP-2 (1) Mianwali-Ghulaman (37.1km)
- CP-2 (2) Fatehpur – Chowk Azam (24.5km)
CP-2 (3) Chowk Azam – Chowk Munda (42.4km)

CP-3 Shorkot-Kabirwala road, with an estimated cost of Rs584 million and a length of 50km.

ADB financed 68 percent of the project costs and the rest was met by GoP.

**Pre-qualified Contractors:** 6 International firms

**Tender Documents Collected by:** 3 International firms

**Bids Submitted by:** 3 International firms for each of the three packages
- M/s Sambu Construction Company (Korea)
- M/s China International Water and Electric Company (PRC)
- M/s Pavital Pty. Ltd. (Italy)

**Work Awarded to:**
- Package 1: M/s Sambu Construction Company
- Package 2: M/s China International Water and Electric Company
- Package 3: M/s Pavital

**Project 2**

**Name of the Project:** Punjab Road Sector Development Project, Phase 1. Loan No: 1928 Pak

**Brief Description:** This $US150 million project includes the design and construction of about 303kms of provincial highways and about 1,100km of rural roads. The provincial highways component of the project was divided into four ICB contract packages ranging in value between $US22 to 40 million. ADB provided 67.8 percent of the project cost and the GoP 32.2 percent.

**Pre-qualified Contractors:** Eight construction firms, of which three were foreign, prequalified for bidding.
- M/s China Lioning (all packages)
- M/s M/s China International Water and Electric Company (all packages)
- M/s NLC (all packages)
- M/s SKB Engineering & Construction, Lahore (all packages)
- M/s ECHO West International Pvt. Ltd., Lahore (all packages)
- M/s Sardar Mohammad Ashraf. D. Balouch, Karachi (all packages)
- M/s Mohiba (Malaysian) (all packages)
- M/s Al – Khan (only 1 package)

**Package 1:** Pindi Bhattian – Chiniot – Kamalpur road (71.3km)

**Bids Submitted by:** M/s Al – Khan and M/s China International Water and Electric Company.

**Work Awarded to:** M/s Al – Khan, being the lowest bidder. Estimated cost $US22.4 million (ADB financed $US15.7 million).

**Package 2:** Jhang – Shorkot, Shorkot - Kabirwala, Kabirwala- Mahni- Sial (57km).

**Bids Submitted by:** M/s China International Water and Electric Company.

**Work Awarded to:** M/s China International Water and Electric Company, being the only bidder [ADB has approved award, however the executing agency has not yet signed the contract].
Package 3: Chiniot – Sargodha – Khushab road (82.4km).


Package 4: Jhang – Toba Tek Singh – Chichawatni road (91km).

Bids Submitted by: M/s China International Water and Electric Company and M/s Echo West.

Response to Local Competitive Bidding (LCB)

For projects of lower value which do not qualify for international tendering under the thresholds set by the ADB\(^1\), local contractors had responded and submitted bids in the first round of tendering during 2005. However, for the works offered during early 2006, the response as ascertained from Sindh and Balochistan reveals that sufficient contractors are not responding to NITs; in several instances bids had to be re-invited and bid prices were coming in much higher than the estimates.

CONCLUSIONS

The lack of response in bids and the high prices being quoted can be considered as indicators of supply and demand gaps. There seem to be abundant opportunities for work, and limitations in the contractors’ capacity to do work are being tested by the current market situation, where there is ample work and the contractors are in a position to choose the works they are really interested in. In such circumstances, the short-term implications are clear – contractors will demand high premiums for less attractive work and response to bids for work in difficult remote areas with higher risks shall remain especially poor.

In a market driven economy, it will take some time until the supply demand situation achieves stability, while for the short term, the clients will be faced with accepting higher bid rates in order to deliver upon their development goals and also accept the risk that the limited pool of contractors may not be able to deliver.

The ICBs ranging in value from $US5 to 40 million also failed to attract a sufficient number of international firms, perhaps due to better opportunities elsewhere in the region.

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\(^1\) Projects with estimated costs of less than US$3 million are eligible for local competitive bidding, most rural access roads qualify for LCB)
Amer Zafar Durrani, Aized H. Mir, Hasan Afzal Zaidi, Dr. Zafar Raja, Hiam Abbas, Huma Waheed, Ermeena Malik, Abid Abrar Hussain, Mehreen Tanvir, Nazifa Sheikh, Shaukat Javed, Sohail Abidi, Ahsan Siddiqi, Unjela Siddiqi and Huma Ajam