GOVERNMENT OF PAKISTAN
PLANNING COMMISSION
M/O PLANNING DEVELOPMENT & SPECIAL INITIATIVES
PROJECTS WING
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REQUEST FOR HIRING OF CONSULTING FIRM FOR THIRD PARTY VALIDATION (TPV) OF NEELUM JHELUM HYDROPOWER PROJECT (NJHPP).

Government of Pakistan, Planning Commission, Ministry of Planning Development & Special Initiatives invites sealed Request for Proposal (RFP) from well reputed firms / Consultants duly registered with Income Tax and are on Active Taxpayer List (ATL) of the Federal Board of Revenue (FBR) for acquiring services for Third Party Validation (TPV) of “Neelum Jhelum Hydropower Project (NJHPP)” Muzafarabad, AJ&K.

Firm will be hired to undertake TPV as per approved ToRs of the instant project to complete the exercise expeditiously. Bidding mode will be on a single stage, two envelope basis. Reputable firms of national level (single firm / consortium / joint ventures), with the requisite expertise are invited to submit technical and financial proposals.

HOW TO APPLY

The detailed ToRs indicating scope of work and eligibility criteria and procurement procedure is available on the Planning Commission and PPRA websites at www.pc.gov.pk. & www.ppra.gov.pk. The proposals may reach to the office of the undersigned on or before 28th May, 2024 by 1400 hours, which will be opened on the same date at 1430 hours in the presence of bidders or their authorized representatives (if any), in Committee Room No. 1, first floor, P-Block, M/O PD&SI, Pak. Secretariat, Islamabad. Pre-bid meeting/conference will be held on 22nd May, 2024, 11:00 AM in Committee Room No. 1, first floor, M/O PD&SI, P-Block, Pak. Secretariat, Islamabad. In case of any issue the same will be opened on the next working day. No query will be entertained at the time of bid opening date and time.

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GOVERNMENT OF PAKISTAN
PLANNING COMMISSION
M/O PLANNING DEVELOPMENT & SPECIAL INITIATIVES
(PROJECTS WING)

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SUBJECT: <u>HIRING OF SHORT TERM CONSULTANCY SERVICES FOR THIRD PARTY VALIDATION (TPV) OF THE NEELUM JEHLUM HYDRO-POWER PROJECT (NJHPP) IN AJ&K</u>

BACKGROUND:

The CDWP in its meeting held on 2nd May, 2018 approved conditionally the subject project at a rationalized cost of Rs. 100 million along with amended ToRs for Third Party Validation of 3rd and 4th revised PC-1 of NJHPP. It was decided that the cost of project will be met from NJHPP.

It is pertinent to note that ECNEC in its meeting held on 22nd May, 2018 while approving 4th revised PC-1 of Neelum Jhelum Hydropower Project (NJHPP) also approved the ToRs for Third Party Validation (TPV) by independent Consultants. The TPV will analyze the implementation approaches and would identify those bases, bottlenecks and barriers which caused delays in completion of this project with clear responsibilities mainly of those implementing actors engaged in planning and execution and propose recommendations for future of similar endeavors.

Projects Wing, Ministry of Planning, Development & Special Initiative (PD&SI) intends to hire a qualified Consultant firm having capability and expertise as Third Party Validation studies primarily in Power Sector Projects for Neelum Jhelum Hydropower project. The scope and extent of the consultant would be to conduct a study as third party validation firm to analyze the implementation processes of NJHP Dam project in AJ&K from different perspectives.

A. GOAL/AIMS OF TPV CONSULTANCY

The aim of consultancy is to conduct a validation study as Third Party Validation (TPV) of the project i.e. Neelum Jhelum Hydropower project. The Consultancy firm will share its findings and recommendations of Neelum Jhelum Hydropower Dam project regarding its time and cost overrun and will evaluate the project and identify/proposed responsibilities of delays in implementation to improve planning and implementation process in future projects.

B. SCOPE OF CONSULTANCY (FIRM)

The Consulting Firm will undertake detailed desk review of the Neelum Jhelum Hydropower Dam project, followed by field visits to observe, validate data/physical assets, and analyze the project implementation against the plans as per PC-I and achievement of the objectives against the Key Performance Indicators (KPIs) including project’s inputs, processes and outputs. Specific ToRs for Consulting Firm approved are as under:

i. Prima facie, increase in cost is attributed to implementation of project without achieving financial close, which resulted into constraint cash flows and delays. However, in the 3rd Revised PC-1, this fact is not supported by sponsors with facts and figures. To assess, year-wise allocations, availability of funds and actual expenditure since its inception and its impact on the overall cost overrun of the may need to be examined by 3rd party consultants.

ii. The unit construction cost of the project comes to US$ 4.23 million per MW. Whereas, the estimated unit cost of other HPPs in the area i.e. Dasu (US$2.25 million/MW), Bunji (US$1.87 million/MW), Diamer Basha (US$2.48 million/MW) Lower Palas (US$1.66 Million/MW) etc. The high cost may need be examined by 3rd party consultants to give a detailed rationale of the higher cost of the project.

iii. It reported that alleged violation of PPRA rules in procurement of TBM machines and other equipment had been done. The 3rd party consultants may examine the process to further ensure transparency in the procurement of all material of the project.

iv. The decision/partial award by International Court of Arbitration regarding upholding of India's right to divert water and operate Kishanganga with full efficiency may have technical implications on the feasibility/design parameters of the project. The consultant needs to examine the detailed impact of the decision on the generation of the project and what strategy WAPDA has been developed in case of less generation of the project. A comprehensive analysis and recommendations by the consultants .

v. The consultant needs to examine Appendix-C-1 of the revised PC-I wherein, it was mentioned that an amount of Rs.135.4 million has already been incurred on contingencies. While reviewing the details of Appendix-C of the PC-I, it had been observed that the establishment of environmental cell at a cost of Rs.1.6 million carrying out International Segregation Research Institute of Pakistan at a cost of Rs.18 million, Establishment of Girls High School at a cost of Rs.30 million etc. have been met out of contingencies. The cost breakup of each item mentioned above has not been given in the PC-I observed very high. The consultant may examine that these items were not included in the 2nd Revised scope of project and therefore, incurred from the contingencies.

vi. An amount of Rs.135 million has been incurred out of the total amount allocated in 2nd revised PC-I of Rs.4885 million. Since the 70% work has already been completed and the sponsors for the 3rd Revised PC-I, has increased the cost the cost to Rs. 8,263 Million. This shows an amount of Rs. 8128 Million is allocated for remaining 30% work. Sponsors have shown the inability to rationalize the cost estimates on the basis of actual amount incurred on the physical contingencies. The consultant may examine the aspect of the contingencies and its overall utilization plans with facts and figures.

vii. The projected exchange loss of Rs.47.7 billion for remaining 30% work has been observed whereas; Rs.2468 million has been incurred on actual 70% physical work. It has been observed that the commercial contract made by Neelum Jhelum Hydropower Company (Pvt) Ltd has been executed which safeguards the interest of contractor specifically on foreign exchange escalation and loss. Consultants may examine the details of the competent authority by the approval of which such commercial contracts have been executed. Further, precedents quoted by the sponsors for such type of contracts also include Ghazi Brotha, Gomal-Zam Dam, Allai Khawar and Duber Khawar etc. The sponsors may also bring out that why these clauses which consistently are benefiting the contractors and in turn loss to the WAPDA have not been reviewed/improved. Specifically, analysis may be brought out why currency exchange rate has been fixed at Rs.60.35 and not kept floating.

viii. While reviewing the contract clauses of Ghazi Brotha," Clause 72.2 Currency Proportions" states that this clause can be mutually reviewed and amended. However, this clause has not been included in the Neelum Jhelum contract. The consultant may examine to bring out the flaws in details of commercial contract executed with the contractor. The consultants may examine this aspect and give their thought/views.

ix. It is mentioned in the PC-I (Appendix-C-2) that an amount of Rs.24.68 billion and Rs.47.7 billion has been allocated for currency exchange loss (actual) and currency exchange loss (projected) respectively. However, the basis/details of the calculation of the said amount is missing in the PC-I. The consultants are requested to provide details/basis of the currency exchange loss.

x. It is mentioned in the PC-I (Appendix C-3) in monthly progress report December, 2014 that an amount of Rs.3.06 billion was claimed by the Contractor however an amount of Rs.1.0 billion was approved by the Employer on the recommendations of Engineer. The consultants are requested to examine details of the increase in contractor's claim from Rs.1.5 billion to Rs.4.50 billion in the revised PC-I.

xi. The sponsors has added additional cost under the head of Cost of Insurance Coverage for TBM (Rs.1,600 million) and cost of Additional Performance Guarantee (Rs.1,000 million). The consultants may examine this aspect and come up with their recommendations.

xii. It is mentioned in the PC-I that the FEC component of the project cost will be arranged through IFIs (Rs.34763.68 million) & LCC through Foreign Relend Loan (Rs.78,637 million), CDL (Rs.59,700 million) & WAPDA Equity/ NJ Surcharge (Rs.50,725 million). The consultants may explain that why local currency component is not being met from the local banks instead of foreign relend loan. The consultants may examine this aspect and come up with their recommendations.

xiii. The sponsors have envisaged Rs. 17 billion for escalation component in the 2nd Revised PC-I and now have been increased to Rs.63 billion for the same component which is 254% increase in the original cost. Further, keeping in view the 70% completion of physical work, the actual escalation incurred during the said period is Rs. 29037.77 million which is around 61% increase with reference to estimate cost in the 2nd Revised PC-I. The abnormal increase in escalation of Rs.63 billion (254%). The consultants may examine and asses the cost and bring their recommendations.

xiv. The Engineering and Supervision cost has been increased from Rs. 8967 million to Rs. 16343 million which is 82% increase in cost. The sponsors in this regard have incurred Rs. 9009 million up to 31-12-2014. Further, at Appendix A Table-3, has furnished the detailed increase in cost for Engineering Services and Construction Supervision. The reasons for increase/justification in cost given for extended period (Rs. 1806 million), increase in salary due to statutory requirements (Rs. 1119 million) and estimated impact of FEC (Rs. 4451 million) especially the foreign exchange impact to the tune of Rs. 4451 million have already covered under currency exchange losses therefore consultants may examine these aspects and bring their recommendations.

xv. It is observed that the detail of variations in the cost estimates of Civil Works and E&M Works are not clearly mentioned in the PC-I. The consultants to examine the BOQ price vs quantity variation.

xvi. The sponsors have estimated Rs. 196 million for purchase/ recurring cost for vehicles and maintenance. Up-to-date actual expenditure when 70% of physical work is completed, are Rs. 33.46 million. The consultants may examine the cost for vehicle and maintenance etc.

xvii. The consultant may bring out the reason that why the Foreign Exchange Loss was not estimated in accordance with the clauses of contract while preparing the estimates for 2nd revised PC-I.

xviii. It is observed that the estimation up to 35% of foreign exchange loss has been calculated on overall basis. The consultant may furnish component wise comparison of Foreign Exchange Loss as a sample case to see the impact.

xix. The cost estimates of the PC-I should be based on the audit report carried out up to 30-06-2015 rather than w.e.f Dec, 2014. The consultants may comment.

xx. The consultants may examine the following observations and fix responsibility if any and come up with recommendations.

a. 1st time tender was invited in February 2005 i.e. three years after the approval of PC-I. Had the process been initiated immediately after the approval of the PC-I, considerable time would have been saved.
b. The mode of financing was also not feasible as there were three attempts for inviting proposals. On the third attempt and after approval of the change in mode of financing, the project was finally awarded to the lowest bidder in 2007.
c. When the project was awarded, the PC-I, which had considered price levels of 2001, was already outdated in this project. The actual price, including Interest During Construction (IDC) escalation and land acquisition etc. came to around Rs. 130 billion, which was 154% of the approved PC-I cost.
d. During this period (2002-2007), there were some design changes but a major shift in design had to be made in the aftermath of 2005 Earthquake. The change entailed a time delay and massive cost overrun and was not considered while awarding the Contract in 2007.
e. Two Tunnel Boring Machines (TBMs) were deployed in place of Drill and Blast method for excavation of most critical reach of 11.2 Km of twin tunnels (total length 22.4 Km).The total cost of the TBMs as included in the PC-I of 2012 is Rs. 19.5 Billion.
f. The actual cost overrun should be considered from Rs. 130 to 274 Billion instead of Rs. 84 to Rs. 274 Billion. However, this initial jump was considered at the time of ward of the contract.
g. The Financial Close (FC) of the project was not achieved. Moreover,

there was lack of total funding/ commitments particularly after design changes by the present Neelum Jehlum Consultants (NJC). Had the FC been in place at the time of award of the Contract, the overruns would have been responsibility of the Contractor.

h. After the design changes there is a lack of clarity on the CPM, timelines of progress and completion of the project.
i. The contract was awarded on pre-earthquake design even after 2 years of 2005 earthquake. The reasons according to WAPDA are at Annex-III of the Inquiry Report. The following points however be noted that :-

    - The major design change which forms a significant part of the additional cost is lining of tunnels. The need of this lining was gravely underestimated in the design provided by Nor consult. Similarly, many other design changes made by the present NJC (such as shallow Jhelum river crossing, change in the height and design of dam to pass PMF etc.) cannot be attributed to the 2005 earthquake. The detailed engineering design carried out by the Nor consult was defective. If the detailed engineering design by the Norwegian Consultant had been carried out carefully and professionally, a lot of energy and public money could have been saved.
    - The reason tendered by NJHPC that conducting any sort of study was difficult as most of the International and domestic technical/ skilled staff was unwilling to go to the site seems frivolous since no punitive action has been taken against any local staff refusing to perform his duty because of the earthquake. Studies are conducted in much more difficult and hostile terrains than those at NJHPP site throughout the world.
    - Engaging consultants after award of the contract is tantamount to putting cart before the horse. Moreover, since the design was bound to be revised in the aftermath of the earthquake and the contract with the Nor consult had expired, the construction contract should not have been awarded. Awarding construction contract before finalizing the design cannot be supported.

j. The consultants may examine the necessary remedial actions taken so far regarding the findings of inquiry committee mentioned at Para (v) above so that the inordinate delay due to cost and time overrun may be avoided in future mega projects. The consultants come-up what are causes of delay and cost overrun in the execution of project.
k. Any other matters / issues raised by the Committee during the 3rd party evaluation / forensic examination subject to the necessary approvals/ scope adjustments in case there is a cost impact.

C. METHODOLOGY OF STUDY

Third Party Validation (TPV) Consultant shall assume full responsibility for this validation of all the works of Neelum Jhelum Hydropower Dam project as per following guidelines:

i. The Consultant firm will review feasibility studies including EIA, Project Planning Reports, PC-I, Progress Reports, Procurements processes, Contract agreements of project, as per approved scope of work, causes of delay(s) and identify the causes with fixing responsibility along with suggested course correction to avoid any future time and cost overrun;
ii. Submit Inception Report, covering the objectives, scope and methodology, issues, SWOT analysis, plans, resources deployed and anticipated outcomes.
iii. The Consultant firm will undertake detailed field visits of the project to verify/validate the compliance of the approved project designs & specifications including current status of the projects, quality of work done with adherence to sound engineering practices and project management approaches.
iv. The Consultant will draw comparison and analyses of the approved work plan/PC-I baseline with actual physical progress and identify the causes of delays & cost overrun.
v. The consultant will undertake financial, economic and social analysis of the project along with comparison with approved PC-Is.
vi. The Consultant will carry out assessment of the implementation phases of project and will draw the lessons learnt by highlighting the slackness done during the implementation phase of the project with clearly fixing the responsibilities and give recommendations for improvement in the planning and execution processes in future projects.
vii. Submit validation reports of project.

D. DELIVERABLES WITH REPORTING OBLIGATIONS AND PAYMENT SCHEDULE

➢ **INCEPTION REPORT** **(2 weeks)**

The Inception Report will be provided by the TPV firm indicating the methodology and procedures to be adopted by the firm for achieving the goals of this study. The inception report shall also contain the methodology and milestones.

➢ **DRAFT REPORT** **(4 weeks)**

Prior to submission of the final report a presentation on the output of the draft report shall be presented to the senior management for course correction (if any).

➢ **FINAL REPORT** **(2 weeks)**

The consultant firm will present a final comprehensive analytical report on execution of project, pictures, videos, overall analysis and executive summary, encompassing the entire ToRs with policy recommendations.

E. SELECTION CRITERIA FOR CONSULTANT/CONSULTING FIRM (JOB SPECIFIACTIONS)

1. At least 5 No. Civil/Electrical Engineers with 15 years' experience OR MS degree in Civil and Electrical Engineering with specialization backed by 10 years' experience in Planning, Implementation and M&E of Power/Water Sector Development Projects. Prior Experience of Implementation/Impact Assessment Reports, Feasibility and Case Studies, especially in water/electrical and experience in a leadership position in Public Sector Organization and International Organization will be an added up advantage.

2. At least 2 No. HR with MA/MSc Economics/MBA/Statistics/Social Science/Environmental Sciences /geology having 15 years' experience in socio-economic, environmental impact analysis, geotechnical and M&E in public sector.

3. 1 No. Financial Expert/Chartered Accountant to validate the cost of the project.

4. Proven track record of undertaken similar kind of Third Party Validation (TPV) studies of public sector.

CRITERIA FOR PROCUREMENT PROCESS – SELECTION OF FIRM

S.NO	CRITERIA POINT	TOTAL SCORE	SCORING CRITERIA
1	**Relevant experience, present and past performance**	**40**	
a	Relevant experience in Implementation/Impact Assessment Reports, Feasibility and Case Studies, especially in water/electrical/ Power particularly third-party verification and external evaluations	15	**Years of experience** • 10-years or more: 15-20 marks • 5-9 years: 8-14 marks • 4-years or less: 0-7 marks The certificate of satisfactory completion of past TPV projects (from clients) will be used for scoring.
b	Experience of working with the Federal and/or provincial Governments in undertaken similar kind of Third Party Validation (TPV) studies	15	**Number of assignments** • 10 or more: 8-10 marks • 6-9 assignments: 4-7 marks • Less than 5: 0-3 marks The certificate of satisfactory completion of past M&E projects from relevant government department will be used to define scores within each range.
c	Highly specialized data management, collection, analysis and interpretation skills	10	• Stat:/Eco Analysis :0-2 marks • Financial Analysis :0-2 marks • Social analysis : 0-2 marks • Environ: analysis : 0-2 marks
2	**Capabilitieswith respect to personnel, techno: & geographical coverage**	**20**	
a	Core team	10	**Team on payroll** • M&E professionals : 10 marks • Sectoral experts : 5 marks • Financial expert/CA: 5 marks
b	Geographical experience, with existence and outreach in one or more geographical areas of the PSDP projects	10	**Presence in Pakistan's geographical area (direct/firm's offices/ staff or through partners** • All 4 provinces including AJ&K/GB: 5 marks • Federal (only) : 1-2 marks
3	**Financial Position**	**20**	
a	Annual turnover in Pak. Rupees (last three years, verified from financial and audit reports)	10	**Annual turnover in PAK Rupees (last three years, verified from financial and audit reports)** • PKR. 20 million or more: 5 marks • PKR. 10-15 million: 3 marks • PKR. 5 million or less: 1 marks
b	**Audited Reports**	10	**Number of years for which audit reports are available** • 5 years: 5 marks • 1-3 years: 3 marks
	Presentation on Modus Operandi With Methodologies with deliverance schedule	**20**	
	Total Marks	**100**	