



# TRANSPARENCY INTERNATIONAL-PAKISTAN

12<sup>th</sup> July, 2016

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TL16/1207/8A

General Raheel Sharif,  
Chief of Army Staff,  
Army Headquarter,  
Rawalpindi

Sub: Fear of inordinate delay in construction of Karachi Nuclear Power Project Unit-2 1,100 MW each, (K-2) & Unit-3 (K-3), due to efforts of Pakistan Atomic Energy Commission to award unsolicited Contract of Rs 30 billion Construction of Water Intake & Outfall Project against provision of PPRA Rules.

Respected Sir,

Transparency International Pakistan on receiving a complaint, on 4.2.2015, sent a letter to the Chairman Pakistan Atomic Energy Commission, and again on 18.2.2015 on the Fear of inordinate delay in construction of Karachi Nuclear Power Project Unit-2 1,100 MW each, (K-2) & Unit-3 (K-3), due to efforts of Pakistan Atomic Energy Commission to award unsolicited Contract of Rs 30 billion Construction of Water Intake & Outfall Project against provision of PPRA Rules. **Annex-A and Annex-B.**

The major issues highlighted to AECPC to award unsolicited contract were that the delay may cause billions of rupees loss to Exchequer in following words.

- *In case the contract is awarded to COECG without abiding with the requirements of Rule No 17 of the Public Procurement Rules 2014, and without inviting open competitive bids, it is feared that the inexperienced contractor M/s COECG might delay the project for years, like Nelam Jehlum Project is delayed, and 1,100 MW/hr electricity will not be available in the national grid. One year delay in completion of Water Intake & Outfall Project will cause a loss of US \$ 900 million.*
- *In case of delay in construction of Water Intake & Outfall Project, Pakistan Government may also have to pay damages to China Government for the loss to them which might be caused by delayed return of the loan. The Chairman, is requested to take immediate action on this complaint, and if the complaint is correct, then it is a case of Mis-Procurement under Rule No. 50. There are allegations of two violations were pointed by TI-Pakistan. One, ineligibility of Chinese Company COECG due to its no past experience of similar works, financial capability, capacity and eligibility, and the second allegation was that of not inviting open tenders as per Rule No 12 (2) and Rule No 2 (C) and resorting to unsolicited process of negotiating.*
- *By stating about the negotiating with two Chinese Companies M/s COECG and M/s CHEC, PAEC has admitted of non transparency, and that PAEC has violated Public Procurement Rules 2004, Rule No 12 (2) and Rule No 2 (C).*
- *And it is surprising that PAEC has not negotiated with main plant contractors M/s CZEC ( which act would also have amounted to mis procurement ), but only*



*considered negotiating with two Chinese Companies, that too recommended by M/s CZEC, the main contractor.*

- In case M/s COECG is eligible as stated in PAEC letter, w.e.f 1.1.2015, it shall be allowed to participate in international bidding by PAEC, in which M/s CACE and M/s CHEC shall compete with other international contractors/J.V, as required under PEC Act 1976.*
- PAEC has also admitted that it has already wasted 6 months time in negotiating with M/s NESPAK and M/s TCZC for designing of offshore components, which could have been saved if open bidding was followed for appointment of Consultants also.*

Following issue was also highlighted for response of the AECP, but no reply is give by them..

*When Contracts out of US \$9.60 Billion K-2 and K-3 nuclear plant of 2,200 MW project, has been included in the bilateral agreement between China and Pakistan, and AECP has entrusted M/s CZEC the construction of for whole Project, why and how the responsibility of only US \$ 300 million Construction of Water Intake & Outfall Project have been taken by PAEC?. This decision may jeopardize the timely completion of the K-2, which fact is also needed to be looked into, as prima facie there is no valid excuse of taking the responsibility to construct Water Intake & Outfall by for PSEC without any technical in-house expertise, within the time frame of main contractor M/s CZEC.*

However, TI Pakistan has come to know that AECP has not yet awarded the Contract to M/s COECG, nor has invited tenders as per PPRA Rules, and already the award of this contract is delayed by 1-1/2 years, which may delay the whole project.

Instead of delaying the project and insisting on negotiating with parties, and to avoid misprocurement charge under Rule No 50, COAS is requested to recommend immediately process the open international tendering, in accordance with PPRA Rules, so that the cheapest electricity from the nuclear power plants can be obtained within completion dates of 2018 and 2020.

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

Ecl: Annex A and B

Copies forwarded for information, with request to take action under their mandate.

1. Secretary to Prime Minister, Islamabad.
2. Chairman, NAB, Islamabad.
3. Chairman, Prime Minister's Inspection Commission, Islamabad.:
4. Registrar, Supreme Court of Pakistan, Islamabad.
5. Managing Director, PPRA, Islamabad.



TRANSPARENCY  
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ANNEX-A

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4<sup>th</sup> February 2015

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Chairman,  
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Islamabad, Pakistan  
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Sub: Complaint in violation of PPRA Rules in Karachi Nuclear Power Project Unit-2 1,100  
Mw each, (K-2) & Unit-3 (K-3), Rs 30 billion Construction of Water Intake & Outfall  
Project

Dear Sir,

Transparency International Pakistan has received a complaint of Collusion between officers of PAEC and M/s China Ocean Engineering Construction Bureau COECG, in processing the award of Rs 30 billion unsolicited contact, the Construction of Water Intake & Outfall Project for the (K-2) & Unit-3 (K-3) Project.

The allegations of the complainant are;

That

1. Karachi Nuclear Power Project Unit-2 1,100 Mw each, (K-2) & Unit-3 (K-3), are being constructed by China, under a bilateral agreement between Governments of Pakistan and China, and the commercial operation of K-2 is scheduled to start in June 2018. 82% of the total cost would be financed by China government. In August 2013 contracts were signed in Shanghai with CNNC, China Zhongyuan Engineering Co. Ltd. (CZEC), China Nuclear Power Engineering Co. Ltd. (CNPE), Nuclear Power Institute of China (NPIC), and East China Electric Power Designing Institute (ECEPDI).
2. But the Construction of Water Intake & Outfall Project, which is at the estimated Rs 30 billion is not included in the bilateral agreement, and therefore not included in the construction being carried out by CNNC, China Zhongyuan Engineering Co. Ltd. (CZEC), China Nuclear Power Engineering Co. Ltd. (CNPE), Nuclear Power Institute of China (NPIC), and East China Electric Power Designing Institute (ECEPDI).
3. Pakistan Atomic Energy Commission instead of inviting tenders for EPC Contract for over Rs 30 billion Construction of Water Intake & Outfall Project, is negotiating the contract with M/s China Ocean Engineering Construction Bureau COECG, which is a violation of Rule No 12 (2) of the Public Procurement Rules 2014.
4. M/s China Ocean Engineering Construction Bureau COECG is also not qualified to be awarded this contract, as it does not have any past experience of completing a

