



20<sup>th</sup> April 2012

Engineer Farkhand Iqbal,  
Chairman,  
Capital Development Authority,  
Islamabad.

**4<sup>th</sup> LETTER**

**Sub: Loss to Exchequer Rs. 5 Billion, due to Corruption –Allegation of Collusive practice in award of a Rs. 6.5 billion contract to M/S Oslo a firm backed by the big fish in Islamabad to replace 65,000 conventional streetlamps with LED lights - TIP Letters dated 02<sup>nd</sup> April 2012, 14<sup>th</sup> January 2012 & 31<sup>st</sup> December 2012, PPRA Letters dated 10<sup>th</sup> January 2012 & 4<sup>th</sup> January 2012, NAB Letter 02<sup>nd</sup> February 2012 and CDA Letter dated 09<sup>th</sup> January 2012.**

Dear Sir,

This is with reference to a number of letters sent to you, and the latest TI-Pakistan's letter dated 02<sup>nd</sup> April 2012, on the above subject, however no reply has been received as of date.

Transparency International Pakistan also refers to the news report "CDA set to light Capital with LED lights" published in daily "The Nation" on 10<sup>th</sup> April 2012. According to the news report (quoted below):

*"Finally the Capital Development Authority has wrapped up Rs 36 million project of installation of light emitting diode (LED) lights at near- completion Zero Point Interchange."*

*"...the firm OSLO –that was supposed to launch this pilot project – has withdrawn its bid for the project, a top official of Engineering Wing of the Authority said".*

TI-Pakistan would request CDA to kindly confirm the news report and update TI-P about the current status of the project.

TI-P is striving to have **Rule of Law** in Pakistan.

Regards,

  
Syed Adil Gilani  
Adviser

Copies forwarded for the information of:

1. Chairman, Public Accounts Committee, Islamabad.
2. Chairman, NAB, Islamabad.
3. Registrar, Supreme Court of Pakistan, Islamabad.
4. Auditor General, Islamabad.
5. Managing Director, PPRA, Islamabad.



# TheNation

## CDA set to light Capital with LED lights

By: [Syed Danish Hussain](#) | April 10, 2012

ISLAMABAD – Finally the Capital Development Authority has wrapped up Rs 36 million project of installation of light emitting diode (LED) lights at near-completion Zero Point Interchange.

The project was initiated back in September 2011 in the light of decision of central development working party meeting that was held to discuss Rs 6.5 billion LED lights project. Chairman CDWP has directed CDA that at first it should launch a small pilot project of LED lights and if it was found feasible/ economical then it might be initiated in other areas.

In that meeting Planning Commission has also objected to several aspects including cost and tendering process of the project. However, city managers have selected Zero Point Interchange (ZPI) to implement the pilot project contrary to the fact that Planning Commission at the time of approval of PC-I of Rs 4.2 billion ZPI project has excluded the idea of installation of LED lights taking grounds that sufficient lighting system is already in place on ZPI.

Installation of LED lighting towers was part of the master plan of under construction ZPI, but Planning Commission had rejected it after terming that particular item as “illogical and wastage of money” in the presence of sufficient lighting systems at the facility.

The current lighting system on ZPI project costs Rs 70 million approximately to CDA. TheNation has published all the irregularities committed by the CDA officials while tendering this pilot project in a bid to favour a firm to whom the Authority has issued Letter of Intent recently for Rs 6.5 billion lights project.

“As the Asian Development Bank has refused to fund Rs 6.5 billion LED lights project so CDA does not need any further approval from Planning Commission,” CDA Chairman Engineer Farkhand Iqbal has said while talking to TheNation.

Now, as Planning Commission has nothing to do with the project, similarly, CDA does not need to follow the decisions of the Planning Commission anymore. In continuation of this development the firm Oslo - that was supposed to launch this pilot project - has withdrawn its bid for the project, a top official of Engineering Wing of the Authority said. He said now CDA would go to sign the agreement for project where whole of the city’s streetlights would be replaced with LED lights.





2 April 2012

Mr. Farkhand Iqbal,  
Chairman,  
Capital Development Authority (CDA)  
Main CDA Secretariat, G7/4,  
Islamabad

Tel: 9253003

Sub: Loss to Exchequer Rs. 5 Billion, due to Corruption -Allegation of Collusive practice in award of a Rs 6.5 billion contract to M/s Oslo a firm backed by the big fish in Islamabad to replace 65,000 conventional streetlamps with LED lights-

Dear Sir,

Transparency International Pakistan refers to the news reports that CDA with NOC of NAB is proceeding to award the Contract of total Rs 6.5 billion project of installation of light emitting diode (LED) lights, published in Express Tribune of 31 March 2012, and Nation of 14 March 2012 (**Annex-A & Annex-B**).

TI Pakistan is of the view that if CDA awards this controversial contract at Rs 6.5 billion, for a project of only Rs 1.35 billion, extra Rs 5 billion will be paid by people of Pakistan, which needs to be saved, by implementing PPRA Ordinance 2002, and Public Procurement Rules 2004, as even Public Procurement regulatory Authority has no mandate to give CDA any NOC for such violations in this procurement.

This is to state that only PPRA has been mandated by its Ordinance-2002 to monitor and regulate the application of law and rules relating to public procurement of all goods, services and works. PPRA does not indulge in line clearance functions nor this function is covered by law.

The project award process has many allegations, and from the above two news reports, following irregularities are being identified, which needs to be addressed by CDA, Planning Commission, Asian Development Bank, ECNEC and ECC, as the estimated cost of the Project is said to be over Rs 6.5 Billion.

1. That on 31 December 2012, TI Pakistan has informed you that Asian Development Bank is reported to be providing loan to this project, ADB does not provide loans to projects not tendered transparently, and in case ADB has agreed to provide loan of this Project based on the CDA Contract at the cost of Rs 6.5 Billion, ADB has also violated its own principles.

CDA has stated in its letter dated 9 January 2012 to TIP and Chairman NAB, Chairman PAC, MD PPRA, AGP and Supreme Court of Pakistan, that the project is funded principally by Asian Development Bank which includes soft terms for repayment includes a car fully





restructured repayment plan allowing CDA to repay the funding from the savings resulting from the lower consumption of energy.

That as the Asian Development Bank is reported to have denied that ADB ever agreed to fund this project, **and that Asian Development Bank on January 4, 2012 has officially informed CDA and Ministry of Water and Power that the bank was not going to fund the project**, the statement of CDA amounts to misleading the government institutions by reporting that "this is an ADB funded project".

2. That Asian Development Bank has refused to finance this project, due to the allegation that ADB has further stated that CDA had not done the bidding process for the Rs 6.5 billion project in line with the standard bidding process defined by ADB for a funded project. CDA shall note that PPRA Bidding process is more stringent than ADB Bidding process. One of the reason that Supreme Court of Pakistan has declared all RPP as illegal. The Orders are quoted for your information;

*The contracts of all the RPPs – solicited and unsolicited, signed off or operational, right from BHIKKI & SHARAQPUR upto PIRANGHAIB, NAUDERO-I & NAUDERO-II were entered into in contravention of law/PPRA Rules, which, besides suffering from other irregularities, violated the principle of transparency and fair and open competition, therefore, the same are declared to be non-transparent, illegal and void ab initio. Consequently, the contracts of RPPs are ordered to be rescinded forthwith and all the persons responsible for the same are liable to be dealt with for civil and criminal action in accordance with law*

3. That Planning Commission has not approved the PC-I till today, without which CDA is not supposed to invite tenders, under Rule No.11.

**Rule 11. Approval mechanism.-**

*All procuring agencies shall provide clear authorization and delegation of powers for different categories of procurement and shall only initiate procurements once approval of the competent authorities concerned has been accorded.*

4. That Dr. Nadeem ul Haq, Dy. Chairman Planning Commission himself confirmed to TIP that PCI—I was not approved, as the estimated cost by CDA is many times more than the competitive market prices.

5. That CDA has prescribed Rs. 150,000 a cost of P/Q documents, which is violation of Rule No. 16.

*16(2) The procuring agency shall provide a set of pre-qualification documents to any supplier or contractor, on request and subject to payment of price, if any. Explanation.- For the purposes of this sub-rule price means the cost of printing and providing the documents only.*

6. That only LED Lights are to be replaced on the poles already available. The market prices of such Lights on international competition is approx. Rs 20,000 to 22,000 if procured in bulk. In case CDA floats a tender for procurement of 65,000 LED lights, it will cost only Rs. 1.36 billion, which is stated to be cost of energy payment being





made annually by CDA. CDA can replace the lights itself as it has hundreds of staff for maintenance , and either auction the 65,000 lights, or gift them to other cities.

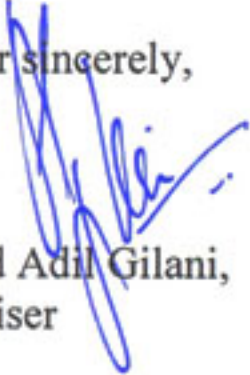
7. That "The CDA even don't have funds amounting to Rs1.6 billion, 25 percent of the Rs6.5 billion LED lights project, required to initiate the project. Now, Planning Commission has suggested us to take Cash Development Loan from the federal government," which is post tender condition, not allowed under PPRA Ordinance and Public Procurement Rules 2004. The Supreme Court of Pakistan in the RPP case has declared such changes as illegal, and acts of such violation is are liable to be dealt with under the National Accountability Ordinance, 1999 by the NAB.

*All the Government functionaries, including the Ministers for Water & Power holding charge in 2006 and onward and from 2008 to onward, during whose tenure the RPPs were approved/set up and Minister as well as Secretary Finance holding the charge when the down payment was increased from 7% to 14%, prima facie, violated the principle of transparency under Articles 9 & 24 of the Constitution and section 7 of the Act, 1997, therefore, their involvement in getting financial benefits out of the same by indulging in corruption and corrupt practices cannot be overruled in view of the discussion made hereinabove. Consequently, they are liable to be dealt with under the National Accountability Ordinance, 1999 by the NAB;*

If this procurement is declared as mis-procurement under rule 50, alleged contract may also be subject to Rule 7, Integrity Pact, and liable for 10 times fine on Rs 5 billion, which comes to Rs 50 billion on the contractors, and under Rule 2(f), "corrupt and fraudulent practices" which includes 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.

Transparency International Pakistan is striving for the application of Rule of Law in Pakistan.

Your sincerely,

  
Syed Adil Gilani,  
Adviser

Copies forwarded for the information and action under the rules and regulations to ,

1. Chairman Public Accounts Committee, National Assembly, Islamabad
2. The Registrar, Supreme Court of Pakistan, Islamabad
3. Chairman, NAB, Islamabad
4. Dy Chairman, Planning Commission, Islamabad
5. Managing Director PPRA.
6. Auditor General Pakistan, Islamabad