



**TRANSPARENCY  
INTERNATIONAL-PAKISTAN**

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**Advisory Committee**

31<sup>st</sup> December, 2011

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

Tel: 9253003

Sub: Loss to Exchequer Rs. 6.8 Billion due to Corruption -Allegation of Collusive practice in award of a Rs8 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 published in The Islamabad Dateline in June 2011 and December 2011 (Enclosed).

The allegation made in the news report is that CDA has indulged in Collusive practice in the award of a Rs8 billion contract to M/s Oslo a firm backed by the big fish in Islamabad to replace 65,000 conventional streetlamps with LED lights, whereas market cost of 65,000 LED Street Light is only Ra 1.27 Billion.

The loss due to the alleged corruption to exchequer is about Rs 6.8 Billion.

Asian Development Bank is reported to be providing loan to this project, and unless the has been tendered transparently, ADB does not provide loans. In case ADB has agreed to provide loan of this Project based on the CDA Contract at the cost of Rs 8 Billion, ADB has also violated its own principles.

Kindly institute the committee comprising of odd number of persons, with proper powers and authorizations, to address the complaints of TI Pakistan according to the requirement of Rule No 48, and the committee shall investigate and decide upon the complaint within fifteen days of the receipt of the complain. Also the Principal Accounting Officer responsible for CDA shall conduct administrative review under PPRA Notification dated 10 February 2010, on the findings of the complaint and take action in accordance with conduct rules in the event of unfair and non-transparent procurement process.

TI Pakistan again request Chairman CDA to ensure that its officers detest from violating PPRA Rules, and in case the complaint is determined to be correct, re-advertise this tender avoid charges of mis-procurement under rules No 50.

This act also is termed as Collusive practice under Rule No 2 (f), 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.



Under Rule No 7, CDA has to sign "Integrity Pact" with every contractor since 2002, and this contract shall also have signed "Integrity Pact". A copy of the Contract shall also be provided to NAB, under NAO 33 b, quoted below;

*All Ministries, Divisions and Attached Departments of the Federal Government, all departments of Provincial and local governments, statutory corporations or authorities established by the Federal Government or Provincial Government and holders of public office shall furnish to NAB a copy of any contract, entered into by such Ministries, Divisions and Attached Departments of the Federal Government, all departments of Provincial Government or local government, statutory corporations or authorities established by the Federal Government or Provincial Government or such holder of public office on its behalf, as the case may be, of the minimum monetary value of fifty million rupees or more, within such time as is reasonably practicable from the date of signing such contract.*

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 of,

1. Chairman Public Accounts Committee, National Assembly, Islamabad
2. The Registrar, Supreme Court of Pakistan, Islamabad
3. Chairman, NAB, Islamabad
4. Managing Director PPRA for information please.
5. Auditor General Pakistan, Islamabad

# The Islamabad Dateline

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## Great LED down

### ISHTIAQ RAO

**ISLAMABAD** — The Capital Development Authority is reported to have awarded a Rs8 billion contract to a firm backed by the big fish in Islamabad to replace 65,000 conventional streetlamps with LED lights.

The project, according to an official, will help CDA save up to 40 per cent electricity cost.

The official, who wished not to be named, said CDA prequalified three firms, which later submitted "complicated cost estimates and dubious technical solutions."

According to the official, the matter was later referred to Member (Finance) Saeedur Rehman, who forwarded it to the Central Development Working Party for examination.

However, the project was recently contracted to Oslo, a grouping of two local and German companies, under the alleged pressure of a leading contractor with "extraordinary influence in CDA for being a close aide of man on the hill."

The official said the CDA top bosses had serious reservations about the way the contract had been awarded. He said two senior officials were separated from the exercise for raising objections.

The two are reportedly to have said in a meeting that instead of banking on foreign firms, the authority should invite local companies for lower rates.

Another relevant official however, felt a good project had been messed up.

He also said local firms were provided with a level playing field, saying had that happened, CDA would have saved huge amount.

The official said a local firm, Bravo Zulu International, evinced interest in executing the project at CDA rates but was denied the chance to do so.

Director General (Electrical and Mechanical) Abrar Shah, the in charge of the project, was recently promoted as the Member (Engineering), for carrying ahead the project.

It has happened for the first time in the CDA's history that an electrical engineer has been made the Member (Engineering), a post purely meant for civil engineers.

In 1994, Jafar Raza, also an electrical engineer, was appointed to the post but had to leave it after NAB began inquiry against him over irregularities in his civil engineering projects.

According to the official, senior civil engineers in CDA are to approach the prime minister's office for being ignored for the post in case the appointment is notified.

Under the plan, CDA will take loan from Asian Development Bank for the project.

The official said the proposed loan would negatively impact on the already weak financial health of CDA.

He said the contractor demanded a major chunk of the project cost in one go though CDA wanted to go for deferred payment.

When contacted, Abrar Shah said the project's PC-1 had been sent to the Economic Affairs Division for approval. He said a project involving foreign funding needed the division's consent for execution.

He however, said no firm had yet been shortlisted, adding project proposals of three companies, including Oslo, Sitco and Infracom, were under consideration.

On the contrary, Ramzan Sajid, a spokesman for CDA, insisted Oslo had been shortlisted for the project, which being vetted by Asian Development Bank.

Member Finance Saeedur Rehman said the project's summary had been sent to CDWP for approval.

When asked about a firm's short listing, he refused to comment on it and asked this correspondent to see the Member Engineering, saying he oversees the project.

An official said the project faced resistance from top CDA officials, who felt priority should be given to dozens of projects, including sector development and replacement of water supply lines, facing delay due to funding shortage.

The official claimed the project's "financial model" designed by CDA was dubious and feared the project would further burden the authority instead of saving energy.

The spokesman for CDA said replacement of streetlights would save electricity cost up to 65 per cent as lights would use not more than 35 per cent of the power being used at present.

"We are giving Rs120 million per month to Islamabad Electric Supply Company under the head of electricity bills for streetlights. And the cost will decline remarkably if LED project is executed," he said.

When contacted, Chief Executive Officer Bravo Zulu International Naeem Abbas said he had offered the rate of Rs18,000 per light with two-year maintenance warranty but was denied the contract on the ground of being late in making the offer.

He said the project cost would be recovered by saving electricity bill of four months and that CDA would not have to remove mastheads of the existing system.

He said if CDA executed the project by taking foreign loan, the cost could escalate to Rs 125,000 per light.

Abbas said the firm, being sole manufacturer of LEDs in Pakistan, was executing lighting projects of National Highway Authority, Karachi Airport, Kohat Tunnel, Lahore Cantonment and Karachi Civil Aviation.

Chairman Senate Standing Committee on Cabinet Shahid Bugti told *Islamabad Dateline* that he had ordered production of the contract record from CDA for examination by the panel during the next meeting.

He said the committee would also look into the 'unlawful' appointment of the Member (Engineering).