



7th April, 2016

TL16/0704/1A

Mr. Khuwaja Muhammad Asif,
Federal Minister for Water & Power,
Government of Pakistan,
Islamabad.

**Sub: Massive Corruption of Ministry of Water and Power Department and National
Transmission and Dispatch Company.**

Dear Sir,

Transparency International has been informing the Minister of Water and Power, Chairman of WAPDA and heads of various subsidiary departments of Ministry of Water and Power about the massive corruption in development projects since last 15 years, which has caused billions of Rs losses to exchequer in illegal and manipulated award of contracts.

This has also caused delays in execution of projects which has further caused trillions of Rs loss due to price escalation as in the cases of Nandipur Project, Neelum-Jhelum Project, where the cost of Nandipur Project has increased from \$19 billion to \$57 billion and Neelum-Jhelum Project increased by \$300 billion.

Moreover, the delays in these and other power projects has caused shortage of electricity in Pakistan which has affected the economy as the cost of production has increased in Pakistan and Pakistan exports have declined remarkably.

One important issue raised with Chairman, WAPDA by TI-Pakistan vide its letter dated 21st March, 2016 was against the behavior of M/s Altsom, who were involved in many WAPDA projects since last 15 years including Golen Gol Project, supply of Switch Gas and the Mangla Dam Project. USAID has also objected on their inclusion as they were debarred by World Bank in 2014. Recently M/s Altsom has accepted that they have given bribe in USA of about \$75 million and US Court has fined \$772 Million. The company has also accepted giving bribes all over the world and mentioned few countries like Saudi Arabia, Indonesia, Egypt, the Bahamas and Taiwan.

However, WAPDA delayed the re-tendering of Manlga Dam Project till the time that the period for which M/s Altsom was debarred by the World Bank was over, and invited tenders in March or May, 2015, where M/s Altsom also participated and is evaluated as lowest bidders. This particular behavior of WAPDA is highly objectionable and even USAID had taken serious note of such illegal action of WAPDA.

TI-Pakistan, Advisor personally talked to Chairman, WAPDA, and he informed that WAPDA cannot do anything, as one of the contractors has gone to the Lahore High Court against the tender of Manla Dam Project. This is a routine of the WAPDA and MOW&P departments, that they manipulate and collude with the bidders, and try to make them the lowest responsive bidder, and when somebody objects, they take the excuse of court litigation, and do not award the contract to the next lowest responsive bidder, as it doesn't meet their personal aims.

Another complaint received in March, 2016 is against the Neelem-Jhelum Project, handled by NTDC from a Chinese Contractor Zhongli Sci-Tech Group o. Ltd. You may note that NESPAK and NTDC are encouraging with M/s Newage Cables Lahore whose bid is for Rs 1.6 billion whereas the lowest bid of specified material by the Chinese contractor is about Rs 1 billion, but NESPAK under the pretext of taking excuse of local preference has recommended to award the contract to Newage Cables at 16% to 60 % more than the market prices. Even comparing apple to apple the landed cost difference between the lowest bidders and Newage Cables is Rs 210 million. Such practice is routine in the Ministry of Water and Power and if the local preference given by the Government allow 16% to 60% extra money to the local manufactures, this law should be revisited by the Government of Pakistan.

The above two complaints are of serious nature and Transparency International Pakistan request the Minister to take immediate action in these two cases and if he finds the complaints as correct, the action should be taken against the responsible officers, contractors and all the colluding parties under NAO 1999.

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

Copies forwarded for the information with request to take action under their mandate to:

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



21st March 2016

Mr. Zafar Mahmood,
Chairman
Water and Power Development Authority
703 Wapda House
Lahore

**Sub: Violation of PPRA Rules in Tender for Rehabilitation of Units 5 & 6 –
Generators, Mangla Dam to M/s Alstom Sentenced by US court to Pay \$772
Million Criminal Fine to Resolve Foreign Bribery Charges**

Dear Sir,

Transparency International Pakistan refers to the newspaper report on 17.3.2016 that Water and Power Development Authority (WAPDA) is in a fix whether to award a multibillion-rupee contract for six turbine generators under the Mangla refurbishment project to a French firm whose parent company has been penalized by a US court. **Annex-A**

Transparency International Pakistan has to report that it has been informing WAPDA since 2011 about the suspicious inclusion of M/s Alstom in various tenders.

The role of **M/s Alstom** is now exposed as according to the press release of the Department of Justice US dated 13.11.2015, the company has accepted bribing officers in many countries including **Indonesia, Egypt, Saudi Arabia, the Bahamas and Taiwan** and has been fined US \$ 772 million under FCPA for corruption in a sentence announced by US District Judge Janet Bond Arterton of the District of Connecticut. In Indonesia, for example, Alstom, Alstom Prom and Alstom Power paid bribes to government officials—including a high-ranking member of the Indonesian Parliament and high-ranking members of Perusahaan Listrik Negara, the state-owned electricity company in Indonesia—in exchange for assistance in securing several contracts to provide power-related services valued at approximately \$375 million. In total, Alstom paid more than \$75 million to secure more than \$4 billion in projects around the world, with a profit to the company of approximately \$300 million. **Annex-B.**

Following issues raised by TI Pakistan are serious and needs to be inquired by the Chairman.

1. On TI Pakistan complaint dated 12.11.2014 and 1.12.2014, on the non-responsive bid because of defective bid security, and also being blacklisted by World Bank, submitted by M/s Alstom in Tender for Rehabilitation of Units 5 & 6 – Generators, Mangla Dam, the Contract was not awarded to Alstom and bids were discharged and TI Pakistan was informed by WAPDA vide letter dated 1.1.2015. **Annex - C**
2. On 3.January 2015 TI Pakistan informed WAPDA that after the acknowledgement of the ineligibility of previously selected company Alstom ✓



Hydro, the bid, ideally should have been handed over to the next lowest bidder, contrary to the cancellation altogether. Since the tender is now cancelled, TI-Pakistan would like to request WAPDA to re-invite bids from interested parties, after immediately advertising prior to February 2015. Delay in the re advertisement and re-invitation of new bids from interested parties, may indicate collusion, as Alstom Hydro's debarment stands affective till the end of January 2015, waiting till February for re-advertisement would give another chance to Alstom Hydro to be selected again and indicate collusive practice on part of WAPDA. **Annex - D**

3. However, WAPDA did not invite the Tenders for Rehabilitation of Units 5 & 6 – Generators, Mangla Dam till the Alstom Hydro's debarment ended on 31 January 2015.
4. On 2nd March 2012, TI Pakistan informed the Chairman WAPDA that in the Golen Gol Hydropower Project-Lot-3.2 E&M Works, M/s Rainpower / ARVEA T&D Pakistan (Pvt.) Limited was prequalified as a JV. But 51 days after the last date of submission of Prequalification, WAPDA allowed change in the JV of M/s Rainpower / ARVEA T&D Pakistan (Pvt.) Ltd, to new JV of M/s Rainpower/ **ALSTOM Grid Pakistan**, as per letter dated 21-05-2011 just few days before the tender opening i.e. 30-06-2011. TI Pakistan pointed out that M/s Alstom Hydro France and M/s Alstom Network Schweiz AG (Switzerland) have been debarred by the World Bank on 22-2-2012.

Chairman is requested to urgently take action against all those who knowingly about Alstom debarment, tried to approve the company in JV of Golen Gol Proeject and also in Mangla Project in 2014, and delayed the issue to tenders prior to debarment date of M/s Alstom , which has now caused difficulties in award of Rehabilitation of Units 5 & 6 – Generators, Mangla Dam.

Chairman is also requested to inquire whether M/s Alstom was involved in bribing in the above projects in the light of M/s Alstom's own admission of bribing foreign officials to obtain contracts, in the US Court.

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 Muzzafar
Chairman

Copy forwarded for information with request to take action under the Rules and Regulations to;

1. Chairman, Public Accounts Committee, Islamabad.
2. Chairman, NAB, Islamabad.
3. Minister, Ministry of Water & Power, Islamabad.
4. Registrar, Supreme Court of Pakistan, Islamabad.
5. Chairman, PMIC, PM House, Islamabad.
6. Managing Director, PPRA, Islamabad.

