



"One of the biggest curses from which India is suffering...- I do not say that other countries are free from it, but I think our condition is much worse - is bribery and corruption. That really is a poison. We must put that down with an iron hand and I hope that you will take adequate measures as soon as it is possible for this Assembly to do so." Address of Quaid-i-Azam Mohammad Ali Jinnah to the Constituent Assembly of Pakistan on his election as President of Pakistan (11th August 1947)

5th August, 2009

Admiral Noman Bashir,
Chief of Naval Staff,
Naval Headquarters,
Islamabad

Sub: Corruption News on Pakistan Navy and requirement of Public Procurement Rules, 2004

Respected Sir,

Transparency International Pakistan refers to the news published in NEWS dated 5th August 2009, where following allegations have been levied on Pakistan Navy.

The Pakistan Navy's current need for more submarines in its fleet has already been approved by the government, but the matter took a twist recently when it surfaced that the government of Pakistan might not pursue its agreement to buy three type U-214 submarines from Germany.

The German shipbuilding company Howaldtswerke-Deutsche Werft GmbH (HDW) was to construct the diesel-electric submarines at Karachi shipyard, a deal that also envisaged transfer of technology from the German company.

"The commercial contract has been finalised up to 95 percent," said Walter Freitag, Chief Executive Officer of the HDW, the largest conventional submarine maker in the world, according to a report published in the media late last year.

Informed sources said though Pakistan was in the final stages of concluding the U-214 submarines deal with Germany and an official German delegation was due in Islamabad later this month, emerging signals suggest that the top Pakistani political leadership and the Navy may be having second thoughts about the German purchase.

This became more evident when the Financial Times newspaper reported recently that President Asif Zardari might overrule his military's preference for the German subs to take up a "better offer" from France.

Pakistan Navy sources said that President Zardari's was thinking on better offers and options were synched with the emerging thought process at the Naval headquarters, where the submarine acquisition group project, the team that had advocated the purchase of German submarines had been replaced with a new team.

This Rs120 billion Navy deal has also aroused interest in parliament where some members of the Senate are anxious to question the naval chief about this rethinking.

INTERNATIONAL THE NEWS

Corruption engulfs national institutions



Wednesday, August 05, 2009

Hush-hush deals in the air

By Kamran Khan

KARACHI: While unhindered officially-sponsored corruption has dealt a blow to great national institutions such as Pakistan International Airlines (PIA) and Pakistan Steel, some other national institutions and common interest of the people of Pakistan are threatened by secret deals that are currently being negotiated beyond the realm of transparency, fair play and equal opportunity, according to an investigation done by this correspondent.

With negotiations at advanced stages, there are deals in the pipeline which, if executed, would push more national institutions to bankruptcy and would further accelerate continuing hemorrhage in the national exchequer, according to official and business sources.

Once again some individuals, with powerful political backers, who were favored with lucrative positions in government institutions last year, are in the race for gold. One venue where such deals are being framed is the Employees Old Age Benefit Institution (EOBI) where discussions for incredible real estate purchases and acquisitions are at an advanced stage by its Chairman Asadullah Shaikh, who returned to Pakistan last year ending his 10-year long self-exile in England. While in London the Ehtesab Bureau of the then Prime Minister Nawaz Sharif and NAB of Gen Pervez Musharraf pursued corruption cases against Mr Shaikh and he was declared a proclaimed offender.

Mr Shaikh was appointed Chairman EOBI in July last year. EOBI is a government organisation that collects mandatory contributions from all the private institutions to provide old age pensions, grants and other benefits to workers retired from the private sector. The EOBI is the custodian of a management fund of about Rs160 billion that actually belongs to the poor old age workers.

Sources with direct knowledge of discussions at the EOBI headquarters in Karachi said that the top management was currently focusing on playing the fund for two key projects in Islamabad.

EOBI has already shown keen interest in buying a tower in the heart of Islamabad. If materialised this Rs6 billion purchase of a yet to be built tower in the much-maligned stuck project by the EOBI may inject some life into the sponsors of this project who have already lost their Saudi patrons.

A senior EOBI official, baffled with the suggestion of this purchase, raised serious objections and finally left the ground by tendering his resignation a few months ago. Another shady project being negotiated for an acquisition by the EOBI is a stalled five-star hotel project in Islamabad, currently owned by a known business group of the Punjab.

Having seen dwindling prospects for a five-star hotel in Islamabad and its own financial issues, the business group was desperately looking for a client who could free them from this huge financial commitment. The EOBI with a huge management fund of Rs160 billion has now emerged as a prospective client. It is now negotiating a price tag of Rs8 billion for this worthless project.

"The funds belong to the poor old age workers. They are meant for most conservative risk free investments and not for real estate adventures," an EOBI official said, who also provided graphic details of the discussion held so far by Chairman Asadullah Shaikh on this subject.

The EOBI is being run by four director generals, all on an ad hoc basis as the institution saw contributions toward age old benefit from the private sector dropping to a record 30 per cent.

While merit and fair play come under pressure at the institution, all attention is focused at the 75 recently advertised posts of assistant directors for the EOBI, for which 17,000 Pakistanis posted their applications. The selection process for these vacancies is keenly watched.

As this dismal situation goes on, backroom deal making of similar nature is, of course, not restricted to the EOBI. Several other government institutions are working on fantastic ideas carrying financial prospects for the people at the helm of affairs.

One such novel idea that has been declared as a financial bonanza for its hidden sponsors is currently being paddled through the Sui Southern Gas Company Limited (SSGCL), the company that supplies gas to Balochistan and Sindh including Karachi.

The SSGC management has been pressured to launch the idea of injecting a huge quantity of highly expensive synthetic natural gas into its natural gas distribution system, presumably to meet the growing demand of LPG in the country.

On Friday last, four companies submitted tenders with the SSGC to inject 100 MMSCFD gas into its natural gas distribution system. The specifications mentioned in the tenders are such that only one Karachi-based company could meet them.

Most knowledgeable sources said though the SSGC floated the idea and sought the tenders, its management opposed the concept in most unequivocal terms by telling its main sponsors at the Ministry of Petroleum that the project entailed import of highly expensive synthetic gas and its mixing with SSGC main grid would result in a gas price increase for all domestic and industrial gas users.

The SSGC management told the ministry that the gas price increase would create a mass uproar on the one hand while on the other, the injection of synthetic gas would carry a huge risk of chemical explosions in its distribution network.

"Mixing SNG (propane and butane) with methane-based natural gas at such a large scale is never done and by forcing SSGC to do this, the ministry is playing with fire," commented an SSGC insider.

The most serious aspect of this galloping corruption in national institutions is the fact that in theory these government-run organisations are controlled by their respective, supposedly, independent board of directors, but in most cases of serious financial implications, the board either remained uninformed or it bowed to the wishes of its management and their political masters.

"What! We never heard about this tender," was the response of a member of the SSGC board when this correspondent sought his views on this shady project that would have a direct impact on the financial health of the organisation.

Notwithstanding all these objections, the Ministry of Petroleum wants this deal done sooner than later. This is a bad news for gas consumers in Karachi, interior Sindh and a large part of Balochistan who may be gifted with gas tariffs increase within a few days of the completion of this project.

Deals that deserve strict transparency and parliamentary oversight are not restricted to civilian institutions as the Pakistan Navy deliberates on new purchase of submarines that may cost the nation at least \$1.5 billion (Rs120 billion).

The new submarine purchases remind the nation of events when Pakistan went for its last submarine purchases (Agostas from France), which concluded when Admiral Mansurul Haq was the Chief of Naval

Staff during the last PPP government. The same corruption-ridden submarine purchase from France made Mansurul Haq, the first military chief in Pakistan to be arrested, prosecuted and punished.

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