



TRANSPARENCY INTERNATIONAL-PAKISTAN

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MOST URGENT

16th December, 2013

Mr. Munawar Baseer Ahmad, P.E,
Former MD SSGC
164-U, Street 4,
Phase 2, DHA,
Lahore.

Sub: Your letter to Chief Justice of Pakistan dated 6/7/2013 Title New Scam of the Nandipur 425 MW Power Project to defraud the Public Exchequer.

Dear Sir,

TI-Pakistan received your email dated 13th September 2013 along with copy of your letter to the Chief Justice in which you have stated that an increase of \$ 124 million is not justifiable, and is unaccounted for in Nandipur Project, Copies enclosed **Annex-A & B**.

The approved PC-1 of Rs 57.380 billion, prepared by GENCO, under the Ministry of Water & Power, in January 2013 is enclosed with request to kindly examine the approved PC-1, and provide any evidence of allegedly wrong payment if is being given by the Ministry of Water and Power, Government of Pakistan to any contractor, lenders,, KPT, transporter, consultants etc, which you have alleged maybe part of the revised cost of Rs 57.380 billion.

A comparative statement of the cost breakdown prepared by MoW & P is also enclosed for your review also. **Annex-C**.

Your valuable input, if any, is required to reach TI Pakistan within 10 days, as TI-Pakistan intends to finalize its report there after within a week's time, ie.by 4th January 2014.

Transparency International Pakistan is striving for across the board application of Rule of Law, which is the only way to stop corruption.

With Regards,


Syed Adil Gilani
Adviser

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

1. Secretary to Prime Minister, Islamabad.
2. Minister, Ministry of Water and Power, Islamabad.
3. Chairman, NAB, Islamabad.
4. Registrar, Supreme Court of Pakistan, Islamabad.

July 06th, 2013

Mr. Justice Iftikhar Muhammad Chaudhry
Honorable Chief Justice of Pakistan
Supreme Court of Pakistan
Constitution Avenue
Islamabad.

MOST URGENT

Subject: New Scam of the Nandipur 425 MW Power Project to defraud the Public Exchequer.

As a citizen of Pakistan I am extremely pained to see that the corruption in the Energy Sector continues unabated. The now famous case of the 425 MW Nandipur Power Project, in which suo moto action has also been taken by the Honorable Supreme Court, is now being used by the mafia to make windfall gains. It appears that PEPCO and Ministry of Water and Power, using the pretext of Supreme Court orders to re-start and expedite the project, have now conjured up a new sophisticated scam by submitting a revised PC-1 to justify a monumental increase in the cost of the Nandipur project.

I feel it is my moral, professional and National responsibility to bring the facts to light. **The Nandipur project has certainly been named as the "lowest cost Power Project" in Pakistan.** The Chinese after considerable negotiations in October - December 2007, and agreed to undertake the project and also offered discounts as they were assured that no commission would be solicited. Full financing arrangements of the \$ 329 million EPC contract were also made under a Co-FACE (French) and Sino-Sure (Chinese) package with BNP-Paribas (French investment bank) as the lead Syndicate Bank, and the project was to be completed in two (2) years.

It has always been the attempt of the mafia, including the private sector IPP sponsors, to stall any project which would establish the real cost of power plants. The IPP mafia has been engaged in blocking such real and low cost projects which would expose the inflated costs which have been used by most IPPs as an instrument to make windfall gains.




The sequence of events of the 425 MW Nandipur Power Project along with the original EPC cost of \$ 329 million, and the maximum possible escalation have been noted in the detailed 21 points (attached, Annexure 1). It can be clearly seen that even **allowing for maximum escalation there is still an unprecedented increase of \$ 124 million**, which is unaccounted for.

It is kindly submitted that the Honorable Supreme Court may take notice of this new Scam and direct a full probe in the matter. Myself as the former MD PEPCO and a professional engineer and acclaimed energy expert on a global standing, would be pleased to assist the court in the matter.

The Engineers and Professionals of Pakistan are confident that with the intervention of the Honorable Supreme Court such corruption attempts will be exposed, and those involved in the corruption will be held fully accountable.

Yours Sincerely,



Munawar Baseer Ahmad, P.E
Former MD SSGC
(Oct. 8th, 2002 – Sept. 9th, 2007)
Former MD PEPCO
(Sept. 10th, 2007 – May 7th, 2008)

SUMMARY OF NANDIPUR 425 MW POWER PROJECT SCAM

- i) Provisional Letter of Intent (LOI) issued by MD PEPCO and accepted by DEC on 3rd December, 2007. Discounted EPC cost agreed with DEC was \$ 329 million. (attached, Annexure A).
- ii) Total Project Cost estimated at \$ 385 million to include Insurance, Interest During Construction (IDC), and miscellaneous civil works (costing sheet attached, Annexure B).
- iii) Project levelized Tariff for 25 years was 10.821 cts /kwh vs. equivalent IPPs (Atlas, Nishat Power, Nishat Chunian etc.) at about 12.125 cts /kwh. Net Tariff lower by 1.304 cts /kwh at FO cost of Rs. 25,597 /ton in December 2007.
- iv) Nandipur 425 MW Power Project is the **lowest cost project as even compared to IPPs set-up in 1995 – 1998** under PPP government. (news report attached, Annexure C)
- v) Full contract was signed in January 2008 by Mr. Munawar B. Ahmad, MD PEPCO & Mr. Loa Zhigung President DEC, for agreed EPC cost of \$ 329 million.
- vi) Financing arranged by PEPCO through Co-FACE (French credit), Sino Sure (Chinese), and BOP (Rupees) under overall Syndicate headed by BNP Paribas (French Bank).
- vii) DEC mobilization and construction started in October 2008. GE Turbines delivered and installed at site and **paid for under financing arrangements.**
- viii) HRSG; Heat Recovery Steam Generator Steam Turbine, Balance of plant equipment shipped by DEC in seven (7) batches and paid for, and now still laying uncleared at KPT/PQA port since August 2010.
- ix) The Chinese Contractor, DEC on August 20th, 2010 wrote to the former Prime Minister, Yousuf Raza Gilani (letter attached, Annexure D) requesting the GOP's assistance in issuance of Ministry of Law legal opinion and release of shipment and balance payments.
- x) There was apparently no response from PM's Secretariat or Ministry of Law. Even the Chinese Ambassador wrote to the Prime Minister, PEPCO etc, but no affirmative action was taken.
- xi) Finally in September 2012, DEC was forced to de-mobilize its crew of about 400 construction and engineering workers and issued letter of contract cancellation. (news report attached, Annexure E)

- xii) For past 2 years and 10 months, a simple matter of issuance of a legal opinion by Ministry of Law, re-affirming that the GOP Sovereign Guarantee for the overseas loans (Co-Face and Sino Sure) was valid has not been issued.
- xiii) The PPP government clearly and intentionally delayed the matter and issuance of the Ministry of Law letters for **want of commission by the concerned**. Even when the then Minister of Water & Power, Raja Pervaiz Ashraf was approached on the matter he maintained that there was nothing he could do on the matter.
- xiv) The position now is that nearly 100% of plant, machinery and equipment **has been shipped and paid for** under the financing arrangements, and is either at the Nandipur site or the KPT/PQA ports.
- xv) About 50% work at site, including installation of three brand new GE Frame nine (9) turbines has been completed. Balance work, after delivery of equipment from port and re-mobilization of the Chinese Contractor, DEC, **can be completed under one (1) year**.
- xvi) DEC has only demanded an extra \$ 40 million for re-mobilization, and increase in construction costs. This would result in the project cost escalating to \$ 425 million or thereof. (news report attached, Annexure F).
- xvii) However a new Mafia is at work now, and many reports, project escalation estimates have been spread in the media, stating that the project has escalated to an astounding \$ 574 million (news reports attached, Annexure G).
- xviii) **The Question is where did this extra cost of about \$ 149 million come from?** There are also reports of plans by PML-N to privatize the Nandipur Power Plant and let the "Chosen" party arrange for the "extra costs". Since a new revised cost has been "approved" by the ECC.
- xix) The revised PC-1 by PEPCO/Ministry of Water & Power for Rs. 57 billion (\$ 570 million) is under a well thought out scam to **cheat the public exchequer of \$ 149 million, the benefit of which will go to a "select private sector party"**
- xx) The factual reality is that all equipment, machinery etc is at site or port and paid for. The only increase demanded by DEC is \$40 million. Plus there could be an increase in extended insurance for 2-3 years, plus IDC. This could add up to say another \$ 25 million at most, bringing the cost to \$ 425 m + \$25m = \$450 million, certainly not \$ 574 million.
- xxi) The Honorable Supreme Court may take notice of this new scam of defrauding the People of Pakistan by a hefty \$ 124 million under a well conceived, white color scam, which has indications of being a "Mother of all Scams".

COMPONENT WISE ANALYSIS OF INCREASE IN PROJECT COST NANDIPUR 425 TO 525 ME CCPP

(Rupees in Million)

Approved cost of period as per Original PC-1 (June-2007)

Component wise change in revised project cost

A-

i)	Site preparation and Engineering	9.23
ii)	Main Plant & Equipment	
	a) Price Increase of Main Plant & Equipment	3,875.33
	b) Exchange rate fluctuation	4,568.25
	c) Addition of Gas Station	2,400.00
	d) Remobilization Charges	768.00
	e) Extension of Time	970.23
	f) Repair & replacement cost of damaged equipment	4,800.00
	g) Increase due to inclusion of Handling of Fuel & Ash, FOTP, Waste Water Treatment & Comm and Desp Equip. etc	1,372.17
		<hr/>
		18,753.97

iii) Civil Works & Structure

1,647.53

20,410.73

B-

i)	Residential Buildings	130.36
ii)	Non Residential Buildings	176.06
iii)	Transportation and Communication	61.45
		<hr/>
		367.87

C- Increase in Interest During Construction (IDC) *

11,164.53

D- Increase in Duties

1,632.82

E- Other costs

1,469.49

Total Increase

35,045.44

Total Revised Cost of Project

57,380.20
