MoU with a Chinese company: another scam brewing up in Railway Ministry

MUSHTAQ GHUMMAN ISLAMABAD (January 07, 2013) : Another scam of billions of rupees is brewing up in the Ministry of Railways under the guise of a Memorandum of Understanding (MoU) with a Chinese company for implementation of priority infrastructure projects without following PPRA rules. This was disclosed at a meeting of Economic Coordination Committee (ECC) of the Cabinet held on January 1, 2012, presided over by the Finance Minister, Dr Abdul Hafeez Shaikh. Official documents available with *Business Recorder* reveal that the ECC was informed that the China Overseas Engineering Group Company Limited (COVEC), a state owned subsidiary of the China Railway Engineering Corporation (CREC), proposed to enter into a non-binding MoU between Pakistan Railways and COVEC for implementation of priority infrastructure projects for Pakistan Railways on Build-Transfer (BT) basis. In terms of Rule 16 of the Rules of Business, 1973, the proposed MoU was placed before the Cabinet for approval. However, the Cabinet in its meeting held on 05 September, 2012, decided that the case may be placed before the ECC. Meanwhile, a revised draft MoU was received from COVEC in which references to cost estimates worked out by COVEC to the tune of $1.663 billion and award of contract to COVEC on sole source basis were deleted. The revised draft MOU has the following salient features: (i) subject to feasibility and prior government approval, COVEC may be invited to undertake the project relating to doubling of track between Shahdara and Lalamusa on Built-Transfer basis; (ii) after the signing of the MoU, COVEC and Pakistan Railways shall discuss the scope and cost of the project and subject to approval of Pakistan Railways, shall form the basis of a contract and a final agreement for the project; and (iii) COVEC would arrange funds from financial institutions in the People's Republic of China to implement the project. The draft MoU was placed before the ECC for endorsement before its resubmission to the Cabinet for consideration. During ensuing discussion, it was stated that COVEC was not a government entity. Besides dates mentioned in the draft MoU have already expired. It was further stated that despite omission of clause relating to award of contract to COVEC on sole source basis, the MoU provides for the sole source basis, which is not admissible under the Public Procurement Rules, 2004. Some of the ECC members argued that in case the proposed MoU is approved in the present form, it is likely to meet the fate of Safe City Project, where the Supreme Court of Pakistan has struck down the agreement signed with the Chinese Company. It was explained that the proposed MoU was of an exploratory nature and will not attract the above rules. On the contrary, it was opined that the MoU would have not been brought before the Cabinet and the ECC, had it been of an exploratory nature as claimed by the sponsoring Ministry. It was further stated that Pakistan badly needs foreign investment and any adverse decision will give a negative signal. After detailed discussion the ECC while endorsing the proposal to continue the dialogue, directed to work out more details for a proper decision.

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