



Integrity Pact
For
Transparency in Public Procurement Procedures
With the
Karachi Water & Sewerage Board

Greater Karachi Water Supply Scheme
Phase-V, Stage-II ,
2nd 100 MGD, K-III Project

Transparency International-Pakistan
65-C, National Highway,
Defence Housing Authority – Phase II extn.
Karachi.



Karachi Water & Sewerage Board

Hassan Square, Behind Civic Centre, Karachi

No. MD/2001/568

April 16th, 2001

Mr. Shaukhat Omeri
Member Board KW&SB
Karachi.

Fax # 4559152

Sub: "THE INTEGRITY PACT"
FOR TRANSPARENCY IN PUBLIC PROCUREMENT PROCEDURES


In the special meeting convened on April 13th, 2001 to discuss the above, the Karachi Water & Sewerage Board request that you may submit the concept of Transparency International - Pakistan to establish procedures which should be built to have Integrity pact for Transparency in Public Procurement Procedures within the KW&SB.

2- The KW&SB appreciates the effort of the Board Members, which is in line with the policy of the present Government to put in place checks and balances within the workings of Civic Agencies and Government Department in its mission to support Good Governance.

3- Accordingly, the Board has formed a committee comprising of following officers which will study the matter and have detailed discussion with you in the light of your ~~report~~ paper and will finalize its recommendations.

1. Mr. Munawar Hussain, DMD (Finance)
2. Mr. Shahid Saleem, DMD (PE&MIS)
3. Mr. Maskoorul Hasnain, Project Manager K-III
4. Mr. Azizul Haq, Project Manager (Water)

Convenor
Member
Member
Member/SECY


Brig. Muhammad Bahram Khan, SI (M)
Managing Director

Copy with complements to Chairman, KW&SB/Additional Chief Secretary (Development), Government of Sindh for information.



Memorandum of Understanding.
between
The Karachi Water & Sewerage Board and TI-Pakistan

This Memorandum of Understanding is executed on the---- day of May 2001, between Karachi Water & Sewerage Board and Transparency International Pakistan, Karachi for the purpose of implementing Transparency in Public Procurement Procedures within KW&SB and the "Integrity Pact" in the Greater Karachi Water Supply Scheme Phase-V, Stage-II, 2nd 100 MGD Project.

Whereas KWSB and TI-Pakistan, Karachi have initiated the process by finalizing the "Integrity Pact" and a "Transparent Evaluation Criteria" for short-listing / pre-qualification of Firms, and that the KWSB has included the two as an integral part of the procurement process. It is also agreed that KW&SB along with TI-Pakistan will work jointly in the implementation of the Board's decision for providing Systemic improvements within the KW&SB. It will include Transparency in all its dealings and incorporate the necessary Checks and Balances in KW&SB's effort to reduce corruption. The process will comprise the formation of the following three basic Committees:

Coordinating Committee.

This committee has been set up by the KW&SB Board comprising the Officials of KW&SB and the Representative of TI-Pakistan. This coordinating Committee will:

Identify and list all transparency issues and criteria for evaluation of tenders in the procurement bidding documents, discretionary conditions of contract, and revision of such clauses.

Prepare ways and means to be included in Contract Documents to eliminate/reduce delays to a bare minimum and in approvals by providing mandatory time limits for submittals by consultants/contractors and approvals by client/consultants.

Introduce systems to complete the Project at a most economical cost and within the scheduled time.

Steering Committee.

This will comprise of Managing Director of the Water Board as Chairman along with representative of the Monitoring cell, TI-Pakistan, Pakistan Engineering Council, the Institute of Chartered Accountants.

This committee will receive the Evaluation reports from the Evaluation Committees (to be set up by the KW&SB) to examine the compliance of the procurement Procedures, Evaluation Criteria and Transparency in award of Contract.

The committee will also oversee and monitor the implementation of the Board's decision for providing Systemic improvements within the KW&SB, compliance to "Integrity Pact" and timely completion of K-III Project.



Evaluation Committees

These committees by the Managing Director KW&SB and will comprise of officials from the Engineering, Finance and Legal departments of the KW&SB. These evaluation committees will carry out detailed evaluation of tenders/bids in accordance with predetermined evaluation criteria issued with tender documents to all firms.

The evaluation report will comprise of detailed analysis and reason of recommendations to award the contract to the most responsive evaluated bidder / tenderer.

This MOU will be effective from the date of signing and will expire on the Completion of K-III Project.

Brig. Mohammed Behram Khan,
Managing Director,
Karachi Water & Sewerage Board,
Shara-e-Faisal, Karachi.

Syed Adil Gilani,
Project Director, " Integrity Pact"
Transparency International,
Pakistan, Karachi - Chapter.

OFFICE OF THE PROJECT MANAGER K-III
KARACHI WATER & SEWERAGE BOARD

No./PM/K-III/PQ/2001/534

Dated.11-05-2001

To,

Sub:-GREATER KARACHI WATER SUPPLY SCHEME PHASE-V, STAGE -II 2ND 100
MGD, K-III PROJECT (EXPRESSION OF INTEREST FOR ENGINEERING
SERVICES)

With reference to above enclosed please find herewith the integrity pact and evaluation criteria for information. The integrity pact is to be signed and duly returned along with the document already purchased by your firm.

This issues with the approval of the competent authority of KW&SB.


Project Manager K-III
KW&SB



Communications by the KW&SB to all Firms for Short listing/pre-qualification for Greater Karachi Water Supply Scheme Phase-V, Stage-II, 2nd 100 MGD Project.

Attachment 1

Invitation to Firms for KW&SB Contract

1. The Government of Pakistan (GOP) is committed to fight corruption in public contracting as part of this program, Karachi Water & Sewerage Board (KW&SB) has reviewed its arrangements for the letting and implementation of contracts against criteria of transparency and accountability.
2. In an effort to limit the scope for abuse, KW&SB is introducing new procedures, which KW&SB is sure your company will wish to support. The objective is to ensure that there is fair competition for government business, and that competition takes place openly and in a manner that provides fair and equal opportunity for all competitors. The new procedures will also apply to the execution of contracts by the successful bidder/supplier. The new Procurement Procedures will be set out in the Letter of Invitation/Tender Documents.
3. As part of our confidence building strategy, KW&SB will treat the oversight and monitoring of the implementation of these new procedures with the highest priority. KW&SB will pay particularly close attention to the need to prevent any case of extortion, or acceptance of bribes, by KW&SB officials. We are asking all those bidding for KW&SB business to assist the government by reporting any instances of this occurring.
4. A special office for the investigation and handling of any reports of extortion or bribery in public procurement has been set up in the Managing Director's Office.
5. KW&SB hopes to obtain your company's endorsement of these procedures as fair and reasonable, and as having your full support.



Attachment 2

The Integrity Pact

1. Karachi Water & Sewerage Board Procedures for Bidding for Public Sector Contracts:
2. The following procedures will apply to the letting of contracts for Short-listing of " Consultants Services for the Greater Karachi Water Supply Scheme Phase-V, Stage-II , 2nd 100 MGD Project".

Or

(The following procedures will apply to the letting of contracts for Pre-qualification of Contractors for " Procurements Contracts for the Greater Karachi Water Supply Scheme Phase-V, Stage-II , 2nd 100 MGD Project".)

3. These procedures are in addition to the standard legal and administrative requirements.
4. They will form part of the terms and conditions of each contract and will be actionable, in the event of breach, by the KW&SB and any of the competing bidders.
5. Each bidder must submit a statement, as integral part of the Tender documents, with the following text:
 - a) This Company places importance on competitive tendering taking place on a basis that is free, fair, competitive and not subject to abuse. This Company is pleased to confirm that (i) it has not offered or granted, and will not offer or grant, either directly or indirectly through agents or other third parties, any improper inducement or reward to any public official, their relations or business associates, in order to obtain or retain this contract or other improper advantage, and (ii) it has not colluded, and will not collude, with others in order to limit competition for this contract.
 - b) This Company has a No-Bribery Policy/Code of Conduct and a Compliance Program which includes all reasonable steps necessary to assure that the no-bribery commitment given in this statement will be complied with by its managers and employees, as well as by all third parties working with this company on the Karachi Water Supply Scheme Phase-V, Stage-II , 2nd 100 MGD Project, , including agents, consultants, consortium partners, subcontractors and suppliers. Copies of our No-Bribery Policy/Code of Conduct and Compliance Program are attached.

Or

In cases where companies participate in the bidding which do not yet have a general no-bribery policy/Code of Conduct:"

- c. This Company has developed, for the purposes of this tender, a Compliance Program – copy attached – which includes all reasonable steps necessary to assure that the no-bribery commitment given in this statement will be complied with by its managers and employees, as well as by all third parties working with this Company on the Greater Karachi Water Supply Scheme Phase-V, Stage-II , 2nd 100 MGD



Project, including agents, consultants, consortium partners, subcontractors and suppliers."

- d. This commitment is in the name and on behalf of this Company's Chief Executive Officer
- e. This Company agrees for the resolution of any damage claims arising from this contract under Law of Pakistan."
6. Where a bidding company is a foreign company and has a subsidiary in Pakistan, the commitment must extend to that subsidiary and its managers and employees as well. If the tender is submitted by the subsidiary in Pakistan, the no-bribery commitment needs to extend also to the parent company and its managers and employees.
7. Bidders will also be required to submit similar no-bribery commitments from their subcontractors and consortium partners. The bidder may however cover the subcontractors and consortium partners in its own statement, provided the bidder assumes full responsibility.

All payments shall be limited to appropriate compensation for legitimate services.

8. Each bidder will make full disclosure in the bid documentation of the beneficiaries and amounts of all payments made, or intended to be made, relating to the bid and, if successful, the implementation of the contract.
9. The successful bidder will also make full disclosure semi-annually of all payments to agents and other third parties during the execution of the contract.
10. Within one year of the completion of the performance of the contract, the successful bidder will formally certify that no bribes or other illicit commissions have been paid in order to obtain or retain this contract. The final accounting shall include brief details of the goods and services provided that are sufficient to establish the legitimacy of the payments made.
11. Statements required according to subparagraphs (b) and (d) of paragraph 5 will have to be certified by an appropriate senior corporate officer.
12. In Pakistan, all forms of corruption are illegal, and the Government will continue to prosecute offenders.
13. This IP however focuses on bribery in order to obtain or retain the contract or other improper advantage, including collusion with others in order to limit competition for this contract. This includes any payments or other favours offered or granted in order
 - i) To win a contract award,
 - ii) To get a contract change order (adjusting the price, the specifications, the time frame for implementation or any other important contract components) approved by KW&SB,
 - iii) To get sub-standard or sub-specification performance approved by a public official the supervising engineer or his staff,
 - iv) To circumvent tax, duty, license or any other legal obligations that should be met, or
 - v) To induce an official to breach his/her official duties in any other way.



If a bidder fails to comply with its no-bribery commitment, the following sanctions will apply:

- i) denial or cancellation of the contract;
 - ii) liability for damages to KW&SB, in the amount of five percent of the contract value, unless KW&SB can demonstrate a higher damage, or the bidder can demonstrate a lesser damage;
 - iii) forfeiture of the bid security; and
 - iv) Debarment by KW&SB from bidding for further public contracts for such period as the KW&SB may deem appropriate.
- 14 KW&SB has made special arrangements for adequate oversight and monitoring of the procurement process and the execution of the contract. In this regard, KW&SB has provided for public hearings on the procurement process, and for access by Civil Society including representatives of the local TI-Pakistan, to the minutes of the meetings of the Tender Board and to all documents relating to the evaluation of the competitive tenders, the award decision process and the execution of the project.
- 15 KW&SB has also set up a special office in the Office of the Managing Director for the investigation and handling of any reports of extortion or bribery in public procurement.
- 16 The KW&SB will publicly disclose the award decision including the evaluation report and the reasons for the selection of the successful bidder.

Bids which do not conform to the requirements of these procedures will not be considered.