



Pakistan Steel Mills



**Transparency International
Pakistan**

MEMORANDUM OF UNDERSTANDING

Considering that bribery is a widespread phenomenon which raises serious moral and political concerns, undermines good governance and economic development, and distorts national and international competitive conditions;

Considering that all companies and Major organizations within Pakistan share a responsibility to combat bribery in all its forms and manifestations;

Having regard to the present policies of the Pakistan Government on Combating Bribery through various measures taken by it including the National Accountability Bureau Ordinance 1999 which, *inter alia*, calls for effective measures to deter, prevent and combat bribery in all its manifestations in particular the prompt criminalization of such bribery in an effective and coordinated manner and in conformity with the agreed common elements set out in its articles and within the jurisdictional and other basic legal principles of the Anti Corruption Laws presently in force in Pakistan.

Welcoming the recent developments within Pakistan such as the Securities and Exchange Commission of Pakistan's Code of Corporate Governance and the Companies Ordinance of 1984, and the recently announced UN Convention against corruption,

Welcoming the efforts of Transparency International Pakistan and other like-minded companies, business organizations as well as other non-governmental organizations in combating corruption.

Recognizing the role of the Pakistan government and the recommendations of the National Anti Corruption Strategy approved by the Cabinet and signed by the President in 2002,

Recognizing that achieving progress in this field requires sustained efforts not only on a company level but on a National level in terms of implementation and monitoring of its reforms,

Have agreed to Support and implement to the best of our ability, both in letter and in spirit the recommendations of TI-Pakistan in affording Transparency within PSM.

Have agreed that the PSM shall take such measures as may be necessary to prevent that any person from our company intentionally offers, promises or gives any undue pecuniary or other advantage, whether directly or through intermediaries, to a public official, for that official or for a third party, in order that the official act or refrain from acting in relation to the performance of official duties, in order to obtain or retain business or other improper advantage in the conduct of international business.

Have agreed to take any measures necessary to establish that complicity in, including incitement, aiding and abetting, or authorization of an act of bribery of a Public official shall be a criminal offence. Where a "public official" means any person holding a legislative, administrative or judicial office in Pakistan, whether appointed or

elected; any person exercising a public function, including for a public agency or private enterprise; and any official or agent of a public / private organization;

Have agreed to take such measures as may be necessary, within the framework of existing laws and regulations regarding the maintenance of books and records, financial statement disclosures, and accounting and auditing standards, to prohibit the establishment of off-the-books accounts, the making of off-the-books or inadequately identified transactions, the recording of non-existent expenditures, the entry of liabilities with incorrect identification of their object, as well as the use of false documents, by companies subject to those laws and regulations, for the purpose of bribing foreign public officials or of hiding such bribery.

Have agreed that in case the PSM fails to carry out the above agreed-upon recommendations Transparency International Pakistan has the right to withdraw from this Memorandum of Understanding and declare the same through a public announcement. Such withdrawal shall be effective 30-days after the date of the receipt of a notification given by TI-Pakistan to the PSM to this effect.

Have agreed to this Memorandum of Understanding between Transparency International Pakistan (TI-Pakistan) and the Pakistan Steel Mills (PSM) – Karachi for the Implementation of the "Integrity Pact" and Transparency in its Procurement Systems. Where the "Integrity Pact" is an Integral Part of the National Anti Corruption Strategy approved by the Cabinet on 20th September 2002 & 5th October 2002 and its Implementation mechanism approved by the President 24th October 2002.

The Integrity Pact is a tool developed by Transparency International, which ensures that all activities and decisions of public offices are transparent and that the projects/works are implemented, services are provided or taken, and goods/materials are supplied without giving taking or allowing for any kind of benefit, financial or otherwise. Justification of the decisions taken is provided without discrimination to all parties concerned or to any individual or institution/organization.

It is agreed that the Pakistan Steel Mills – Karachi along with TI-Pakistan will work jointly for the implementation of the appropriate SBD's herein being the Pakistan Engineering Council's Guidelines and Standard Bid Documents for Procurement of Engineering Services, Works and Plant and Equipment. The implementation of the PEC Procurement SBD's are a recommendation of the NACS including those recommendations in the NACS involving Transparency in procurement. In case the PEC Guidelines and Standard Bid Documents do not respond to the requirements of the PSM, other SBD's such as the World Bank guidelines and SBD's will be used..

It is also agreed that the Pakistan Steel Mills – Karachi will establish accountability in all its dealings and will to all intents and purpose try to provide the necessary Checks and Balances in its effort towards an all encompassing Transparent Procurement System in its effort to reduce corruption in procurement. The process will comprise the formation of a Coordination Committee and other relevant committees to implement the Integrity Pact and transparency in Procurement.

The Coordinating Committee.

This basic committee to be set up by the Pakistan Steel Mills shall consist of three members comprising Officials of the Pakistan Steel Mills with responsibilities related to the Administrative (Legal Expert), Financial and Technical (Procurement & Contracts) Departments. and two Representative of TI-Pakistan. The General

Manager (Development and contracts) shall act as its Chairman. The Coordinating Committee will:

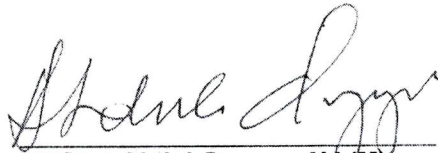
1. Identify and list all issues of transparency and evaluation of tenders criteria in the procurement bidding documents, including the discretionary conditions presently existing in the contract documents and make the necessary changes where necessary..
2. Prepare ways and means to be included in the Contract Documents to eliminate/reduce delays to a bare minimum (Time base decisions with predictable milestones) and in approvals by providing mandatory time frames for submittals by consultants/ contractors / suppliers and approvals by client/consultants.
3. Introduce approval systems to process and award contracts, as well as to complete the Projects at the most economical cost and within the scheduled time.
4. Incorporate the Directives of the NACS with regards to Procurement and Contracting.

Herein after it is agreed that;

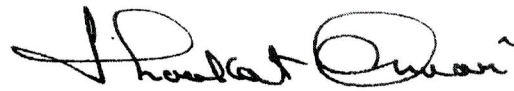
- ☐ All important decisions be made public.
- ☐ The PSM will develop a comprehensive website for publication of all information especially with regards to tenders and procurement
- ☐ Information on all important activities including auditor's report should be made easily accessible to all.
- ☐ The Pakistan Steel Mills will periodically make public their sources of income and revenues.
- ☐ For this purpose, Transparency International Pakistan will provide the services of experts to the Pakistan Steel Mills – Karachi without any cost to the PSM.
- ☐ The Pakistan Steel Mills has the responsibility to inform the local public and all interested individuals / institutions / organizations / Vendors and others about the activities carried out under this Agreement and to make public this agreement through a Press Conference organized by the Pakistan Steel Mills.
- ☐ In accordance with the proposed Pact, Transparency International Pakistan will provide experts' services for 3-months beginning from June 16, 2004 and may be renewed on mutual understanding.
- ☐ The PSM will continue the Integrity System even after the completion of this project and will provide information and details when Transparency International Pakistan requires such information for the purpose of implementation of this agreement. TI-Pakistan may continue the monitoring of the Integrity Pact and Transparency in Procurement, if found necessary for a further 9-months and shall be deemed to be accepted by the PSM in case TI-Pakistan requests for the same.

- ☐ That all information relevant to providing Transparency Procurement procedures shall be provided to the Coordination Committee by the Management of the PSM and all its related departments. It shall include documents which are in addition to those that are allowed under the Freedom of Information. Ordinance 2002.
- ☐ It is also agreed that the SAMPLE Integrity Pact attached along with will be implemented as part of all Contracts / Tenders to be implemented by the PSM with modifications by the coordination committee where and when necessary and preferably at the pre-qualification stage.

Pakistan Steel Mills Ltd. and Transparency International Pakistan have agreed to sign this MOU on this day of Wednesday, June 16, 2004 at Karachi



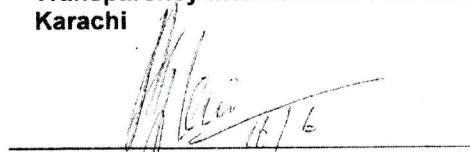
Lt. Gen. Abdul Qayyum H.I.(M)
Chairman
Pakistan Steel Mills
Karachi.



Shaukat Omari,
Executive Director
Transparency International Pakistan
Karachi



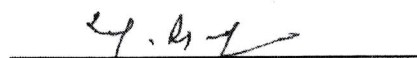
Mr. Khurshid Anwar
Director Finance
Pakistan Steel Mills
Karachi



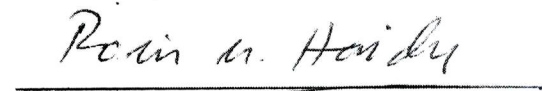
Syed Adil Gilan
Procurement Specialist
Transparency International Pakistan
Karachi

Witness

Witness



Mr. Saleem Ahmed
General Manager - Finance
Pakistan Steel Mills



Lt. Gen. (Retd) Moinuddin Haider
Former Governor Sindh.
Advisor TI-Pakistan