



TRANSPARENCY INTERNATIONAL-PAKISTAN

5-C, 2nd Floor, Khayaban-e-Ittehad, Phase VII,
Defence Housing Authority, Karachi.
Tel: (92-21)-35390408, 35390409, Fax: 35390410
E-mail: ti.pakistan@gmail.com
Website: www.transparency.org.pk
Advisory Committee

30th March, 2012

Engineer Wasif Mehmood,
Acting Chief Executive Officer,
Pakistan Steel,
Bin Qasim,
Karachi

Sub: Award of Consulting Contract for Technical Audit to M/S VO TYAHPROMEXPORT in violation of Public Procurement Rules 2004 leading to award of \$350 Million contract to same company.

Dear Sir,

TI-Pakistan has received Pakistan Steel's response to its letter dated 28th January 2012, forwarded by the Pakistan Steel to Public Procurement Regulatory Authority vide Pakistan Steel's letter dated 12th March 2012.

It is strange that the Secretary, Pakistan Steel has stated in his letter of 02nd March 2012 to TI-P that the tender for technical audit has not been awarded to the Russian firm, M/S VO Tyahpromexport, and the same would be processed in accordance with the Rules and Procedures. But, the response given by Pakistan Steel to the Public Procurement Regulatory Authority on 12th March 2010 is that the "*Pakistan Steel has decided to get waiver of Public Procurement Rules 2004 to award the contract for technical audit to M/S VO Tyahpromexport for US \$ 150,000*".

This is to point out that Pakistan Steel's statement vide para 04 of its report to PPRA that M/S VO Tyahpromexport, the original designer and manufacturer of Pakistan Steel's plant is not based on facts. Secondly, if the statement of Pakistan Steel is true, then this is of a serious concern of conflict of interest, as the technical audit, if awarded to M/S VO Tyahpromexport, with exemption to the Public Procurement Rules 2004, will lead to the award of design as well as supply of the machinery to the same firm based on the estimates solely prepared by the same firm under the technical audit report prepared by M/S VO. Tyahpromexport, which may be 2 to 3 times costlier than the competitive market rates.

This issue was also raised by TI-P in 2010, and the assurance was given by Pakistan Steel at that time that all the contracts by Pakistan Steel will be awarded by inviting public tenders under Rule No. 21 of the Public Procurement Rules 2004 and an MOU was signed wherein it was agreed that TI-P would act as an Observer in all such procurements of Pakistan Steel.

TI-Pakistan requests Pakistan Steel to refer to the report submitted in the Supreme Court by Pakistan Steel where the losses to Pakistan Steel only for one year, i.e. 2008 have been confirmed to be Rs. 26.526 billion.



TI-Pakistan suggests Pakistan Steel management not to violate the Public Procurement Rules 2004, as across the board application of the Public Procurement Rules 2004 in Pakistan Steel's procurements since 2004 under the guidance of TI-P have proved to be most beneficial for PS, as it attained a surplus of over Rs. 2 billion in 2007, and the violation of Public Procurement Rules 2004 since 2008 have resulted in current situation, where the losses have mounted up to Rs. 70 Billion in last 04 years.

TI-P is striving for the Rule of Law.

With regards,

Syed Adil Gilani,
Adviser

Copies forwarded for the information of;

1. Chairman, Public Accounts Committee, Islamabad.
2. Registrar, Supreme Court of Pakistan, Islamabad
3. Chairman, NAB, Islamabad,
4. Auditor General, Government of Pakistan, Islamabad.
5. Managing Director PPRA, Islamabad.



Pakistan Steel Mills



TRANSPARENCY
INTERNATIONAL - PAKISTAN

TIP Observer status in Pakistan Procurement & Sales Process

Pakistan Steel and Transparency International Pakistan (TIP) had signed a Memorandum of Understanding (MoU) on 16 June 10, 2004, whereby both the esteemed organizations showed their commitment to work together and enhance the element of transparency in Pakistan Steel procurement process. It was 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.

Pakistan Steel has always strived to maintain complete transparency in its procurement and sale processes and would like to enhance the scope of TIP's involvement in its procurement and sales by inviting TIP to be an observer in all its major procurement and sales policy making, as well as processing meetings.

Both parties on 23rd August 2010 agree to incorporate the following agreed terms in the MoU for more transparency in Pakistan Steel affairs.

TIP will be an observer in all PS procurement of over R 10 million, and sale with immediate effect. The Scope of Observer will encompass the following:

- Adoption of TIP Recommended procurement and sale procedures.
- Compliance with the agreed guidelines as mentioned in the vetted tender document;
- Tender & Sales documents are made available to all interested parties and posted on the website;
- Tender & Sales evaluation criteria is fully detailed and made available in tender documents as well as on website;
- Complaints, if any, received from the aggrieved party are addressed on merit within 72 hours, with maximum time of 15 days for procurement complaints as provided for in Public Procurement Rule 2004,
- In case any anomalies are identified during the procurement surveillance, TIP shall inform CEO Pakistan Steel on the same.
- Pakistan Steel will ensure that TIP's observations are addressed promptly.

Signed on behalf of Pakistan Steel

Imtiaz Lodhi
A/Chief Executive Officer

Witness

Mr. ADNAN A. KEHAR
23/8/2010

Signed on behalf of TIP

23/8/10
Syed Adil Gilani
Chairman

Witness

Saad Rashid
Executive Director



PAKISTAN STEEL

PAKISTAN STEEL
(Corporate Secretariat)

No. Sec-Trans/217/2012/CS S

March 2, 2012

Syed Adil Gilani,
Adviser,
Transparency International Pakistan,
5-C, 2nd Floor, Khayaban-e-Ittehad,
Phase VII, Defence Housing Authority,
KARACHI.
Fax No. 35390410
E-Mail: ti.pakistan@gmail.com



3809
5/3/12
5/3/12

SUB: AWARD OF CONSULTING CONTRACT TO M/S VO TYAZHPROMEXPORT IN VIOLATION OF PUBLIC PROCUREMENT RULES 2004 LEADING TO AWARD OF \$ 350 MILLION CONTRACT TO SAME COMPANY

Dear Sir,

Kindly refer to your letter dated 28th January, 2012 addressed to Chairman, Pakistan Steel, on the subject captioned above.

2. With regard to the contents of your letter, it is apprised that the contract of technical audit of Pakistan Steel has not yet been awarded to the Russian firm and the same would be processed in accordance with the prevalent rules / regulations of the Government.

(ABSAR NABI)
SECRETARY
PAKISTAN STEEL

c.c. to:

- ~~APEO (BMR&E)~~

~~AGM (BMR&E)~~

c/7/12
MOP
E+P

D:\M-Secretariat\TRANSPARENCY_GILANI.doc

Eng. Syed Azeemul Haque
AGM (BMR&E)
Pakistan Steel

PA