

Transparency International India (TII)
 Compilation of PSU's Presentation on
 "Implementation of Integrity Pact in CPSUs"
 12 August 2009, RINL Campus, Vishakhapatnam

NAME OF THE PSU	STARTED IMPLEMENTING	ACTION TAKEN BY PSU	REMARKS/SUGGESTIONS FROM PSU, IEM & BIDDER	CASES REFERRED TO IEM
ONGC	<ul style="list-style-type: none"> ✚ Signed MoU on 17th April 2006 ✚ Appointed IEM on 6th March 2006 ✚ First meeting was held in 11th August 2006 by IEM 	<ul style="list-style-type: none"> • Regular meeting with 3 IEMs are being held • ONGC annual Vendors meets was held on 16th May 2005 at Mumbai • CMD, ONGC covered the IP concept in his presentation and invited comments from Vendors by 10th June 2005 • Draft IP was uploaded on ONGC website tenders.ongc.co.in on 17th May 2005 • ONGC decided to first implement IP in major tenders of Mumbai High Asset, offshore drilling/well/logging services, engineering services and corporate materials from 1st July 2005 • Bid stands rejected without submission of signed IP by the bidder 	<p>All the bidders sign IP while submitting Bids, even HAL-Banglore under MoD also signed it</p> <p>Expected benefit:</p> <ul style="list-style-type: none"> • Improved transparency, image and reputation as an ethical organization • Speed up of tender and procurement process • Reduced external interference • Reduced frivolous lawsuits and complaints from Vendors • Representations referred to IEMs for consideration • Improved Vendors satisfaction • Lower the cost of procurements <p>Reforms in implementation:</p> <ul style="list-style-type: none"> • limit of tenders for signing of IP valuing above Rs 1 crore only has been fixed which forms 95% of tenders by value • IP to be executed on plain paper, irrespective of whether it is from foreign or Indian bidders • IP proforma revised and notified vide PMC circular No.08/2007 dated 7th June 2007 and suitable amendment issued 	<p>By bidders-11 By ONGC-03 Total-14</p>

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HPCL	<ul style="list-style-type: none"> ■ Signed MoU on 13th July 2007 ■ Start implementing from 1st September 2007 ■ Engaged IEM on 7th august 2007 	<ul style="list-style-type: none"> • Draft of IP between HPCL and bidder prepared in June 2006 • Threshold limit Rs 1 crore and above • Arrange quarterly meeting with IEMs • Signing of IP with all the bidders 	<ul style="list-style-type: none"> ❖ IP is helping to make confidence of bidders in tendering process ❖ Intangible benefits due to systems improvement ❖ Increased clarity in tenders Suggestion for IEMS: <ul style="list-style-type: none"> ❖ Role of IEM to limit only till contract finalization ❖ System generated information on IP contracts to IEMs ❖ Roster System of contracts above Rs. 10 cr. ❖ Satisfied with the approach of HPCL 	
NMDC	<ul style="list-style-type: none"> ■ Signed on 24 September 2007 ■ Started Implementing- December 2007 ■ IEM appointed on October 2007 	<ul style="list-style-type: none"> • IP has been incorporated in 14 cases till date with a value of Rs 957.56 crores • Copies of NIT and intimations about pre-bid conference, TSC meeting etc. are sent to IEMs 	Benefit: <ul style="list-style-type: none"> ❖ Implementation of IP has improved the image of NMDC among the customers ❖ IP covers about 50% of all contracts ❖ To bring 90% of the contracts into IP fold, the threshold values has to be reduce to Rs. 1 crore from 10 crores ❖ Till date IP implemented only in procurement tenders Experiences: <ul style="list-style-type: none"> ❖ Bids have been rejected on simple grounds that the IP is incomplete or submitted on plain paper 	14 case referred to IEM

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			<ul style="list-style-type: none"> ❖ The IEM are generally busy and it is sometimes difficult to get their advice in time ❖ As per the SOP, the references have to be sent to all IEMs which results in delay ❖ IEMs are paid sitting fee at per with Directors of the company and frequent visits by IEMs will result in huge expenditure ❖ Results in large no of contracts coming into the ambit of IP and more no of IEMs will be required, Proposal already submitted <p>Suggestion:</p> <ul style="list-style-type: none"> ❖ It may require fulltime Nodal officer ❖ If a supplier does not sign an integrity pact, he automatically disqualified from participating in tender process. Thus, whatever be his ethical inclinations, he has to sign the pact. This is the negative aspect of the pact ❖ There is a clear-cut and a persistent danger of the integrity pact being reduced to a mere administrative procedure instead of being used as a part of overall anti-corruption strategy ❖ The alternative could be, to let people sign it on a voluntary basis. A conscientious 	

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			<p>supplier who has signed the pact because he believed in it would be more inclined to point out cases of corruption and wrong practices associated with procurement than one who has signed it as a matter of expediency</p> <ul style="list-style-type: none"> ❖ The threshold limit in case of Civil Works should be more as there will be more problems in such works ❖ Objective of an organization should be to establish a procurement environment where the conditions prevent opportunities for corruption ❖ Absence of a complaint is not a proof that the process has been clean. The best, one can conclude from the absence of complaints is that the complaints were not filed ❖ The tenure of IEMs may be reduced to two years instead of present three years 	
Indian Oil	Signed MoU on 29 Nov 2007	<ul style="list-style-type: none"> • Information put on public domain through a dedicated section on IP on www.indianoiltenders.com & www.icol.com which inter-alia provides the following: <ul style="list-style-type: none"> - IP documents & procedures - Details of IEMs along with e-mail ID & 	<ul style="list-style-type: none"> ❖ Enhanced transparency oriented perspective within the organization as regular reporting to IEMs made a standard protocol ❖ Impartial and objective assessment of critical issues relating to tender finalization by IEMs 	

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		address - Detail of Nodal Officer with e-mail ID & address - Current status of all tenders bellow 150cr. Under IP - Overview of IP implementation of IP in Indian Oil • Details of current status of tenders regularly updated	<ul style="list-style-type: none"> ❖ Minimization of delay due to quicker resolution of tender issue/complaints ❖ Indirect cost saving through minimization of delays in tender finalization ❖ Occasional direct cost saving through finalization of tender at a lower value Some Suggestion: <ul style="list-style-type: none"> ❖ Need for greater & regular interaction between the IEMs & other Commission(CVC) for information sharing on IP ❖ Inclusion/exclusion of anonymous complaints within IP perview ❖ Wherever the PSU is already providing information on IP in public domain, periodical vendor meet requirement for familiarization etc. may be reviewed ❖ The focal point of implementation of IP may not necessarily be purchase/procurement system (Ref. Para 3.04 of SOP) 	
RINL	<ul style="list-style-type: none"> ✘ Signed MoU on 29 March 2007 ✘ Started Implementing from 1 April 2007 	Milestone to implement IP: <ul style="list-style-type: none"> • Initial thereshold values were Rs. 3 Crs. For works & projects and Rs. 5 Crs. For Materials Management & Marketing Tenders • IP document revised in December 2007 	Problem faced: <ul style="list-style-type: none"> • Some global bidders insisted on application of IP to their Indian operations only • Few global agencies expressed objection to the principal's authority to decide violation against clauses of IP, according to them it 	

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	<ul style="list-style-type: none"> ✚ Draft IP document placed on we for comments from pblic in March 2007 ✚ Nodal officer appointed on 23 Feb 2007 	<ul style="list-style-type: none"> • IEM appointed in February 2008 • Threshold values brought down to Rs. 1 Crs. Uniformly for all tenders in March 2009 • Annual review by IEM on 26th and 27th June 2009 <p>Some bindings for IP</p> <ul style="list-style-type: none"> • The parties have to download IP documents from website • Name of all IEMs is mentioned in all the tender documents • Guidelines for Indian agents of foreign suppliers/contract agencies made part of IP documents • Bidders to submit signed copy of IP along with the Bid documents • Sub-contractors are also covered under IP • All the consortium members are required to sign IP • Bids without Integrity Pact are not accepted • Details of tenders with IP provided to IEM • IEM is required to submit a report to CMD within 4-6 weeks 	<p>should be vested with courts only. However, finally they agreed</p> <ul style="list-style-type: none"> • In one case pertaining to procurement, the lone tenderer refused to sign IP 	
CIL	Signed MoU on 25 August 2007	<ul style="list-style-type: none"> • CIL Board has approved signing of MoU and implementation of IP at CIL and its 	<p>Advice sought:</p> <ul style="list-style-type: none"> ❖ How CIL can make the IP a real effective 	

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		subsidiary Cos. On 27 th August 2007 <ul style="list-style-type: none"> • All cases requiring approval of Board/CMDs will have IP provision. Three IEMs for each tender, nominated by rotation and name in the NIT • Bidders are required to submit signed IP on plain paper along with tender as per format enclosed with the NIT. A bid without the signed IP is rejected for with • CIL vendors meet held on 15 September 2007 attended by more than 50 vendors 	tool for bringing transparency and resultant speed in decision making <ul style="list-style-type: none"> ❖ What will be the standard procedure for forwarding of complaints or representations received from bidders ❖ What will be the standard procedure for forwarding of complaints/representations received from non bidders ❖ How anonymous and pseudonymous complaints will be dealt with ❖ What can be the best method to measure the effectiveness of the IP program ❖ How CIL can report suspected irregularities by prospective bidders ❖ How the IEMS can be more involved in the pre and post tender process ❖ Should they attend the TC meeting as observers? 	
SAIL	<ul style="list-style-type: none"> ☑ Signed IP on 24 September 2007 ☑ Started to implement on 16 August 2007 	<ul style="list-style-type: none"> • IEM has been appointed • IEM secretariat established • Staff has been designated for each plant/unit Procedure for implementation: <ul style="list-style-type: none"> • Pre-signed copy attached with the tender documents • Name of concerned IEM mentioned for 	Problem faced by PSU: <ul style="list-style-type: none"> • Parties reluctant to sign • Requested changes as per advice of respective law firms • Matter dealt firmly, so far only two cases of not signing, quotation rejected Reference to IEM: <ul style="list-style-type: none"> • Allegation investigated by vigilance 	

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		approaching in case need felt <ul style="list-style-type: none"> • Signed copy to be submitted along with the quotation • Quotation received without Integrity Pact summarily rejected • Details of tender published provided to IEMs In case of complaint/representation to be referred to all the IEMs • A high level committee formed for looking into issues raised by parties before signing of pact • Quarterly meeting to review the progress where Chairman, Directors and IEMs participate • Processing of complaints through vigilance 	<ul style="list-style-type: none"> • Revealed that one consortium member of I-1 did submit fake experience certificate • Bid rejected and banning action recommended • IEM however desired to be kept informed of action taken Benefits: <ul style="list-style-type: none"> • Vendors are careful while quoting • Increased comfort level for both organization and vendors • Motivated Complaints diminished • Processing time of Tenders reduced • System well established • Important Vendors aware, hence functioning smoothly • Management has decided to hold yearly Vendors meets for increasing awareness 	

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