

Project Completion Assessment Integrity Pact with Karachi Water & Sewerage Board

Background and The Project

1. In May 2001, transparency International Pakistan, Karachi Chapter (TI- Pak) signed a memorandum of understanding with the Karachi Water & Sewerage Board (KW&SB) to introduce transparency in procurement procedures within KW&SB and the Integrity Pact (IP) in the Greater Karachi Water Supply Scheme Phase-V, Stage-II, 2nd100 MGD Project. To support this project, the Partnership for Transparency Fund (PTF) agreed to give a grant of US\$19,000 to TI-Pak. The grant agreement between PTF and TI-Pak was signed on June 24, 2001. The project was completed in February 2002 and the PTF grant fully utilized. Details of project implementation are given in the Final Project report prepared by TI-Pak and submitted to PTF.

2. This note is a brief Project Completion Assessment. It covers: (a) The extent to which grant purposes were achieved; and (b) Lessons learned for future application. It is based largely on a review of relevant documents (the Grant Agreement, the Project Proposal, Budget Request, the supplementary documentation and the Final Report on the Project done by TI-Pak). In addition, several discussions were held with Messrs. Shaukat Umari, Executive Director, TI-Pak and Syed Adil Gilani, Project Director. The project related to introducing transparency in the procurement procedures and has been completed. Therefore, as such there is no physical project to visit. Also, after the completion of the project the CEO of KW&SB was transferred and his successor decided to discontinue relationship with TI-Pak. However, a brief meeting with the Mayor of Karachi was held and views of a former Chairman of KW&SB were obtained in a meeting with him.

Assessment of Project Achievements

Project Objectives & Design

3. **Objectives.** The project objectives were as follows:

- (a) Introduction of Integrity Pact approach to the implementation of investment programs to be undertaken by the KW&SB; and
- (b) In particular, the Integrity Pact approach was to be applied to the Greater Karachi water Supply Scheme (K-III Project); and
- (c) The above two project objectives were to lead to the introduction of transparency in the procurement procedures and methods of KW&SB so as to achieve efficiency in costs.

4. As detailed in the Final Project Report, the Integrity Pact approach was applied. Accordingly, all contractors as well as the relevant staff of KW&SB signed Integrity Pacts and largely fulfilled their respective obligations. This was in itself a major achievement, as no such precedent existed before in KW&SB. These pacts along with public information provided through a website established the credibility of the procurement procedures of KW&SB. However, to some extent, the objectives were only

partially realized because Integrity Pact could be applied only to one segment of KW&SB projects, i.e., procurement of engineering and supervision services for the K-III project. Once this was achieved the top management (CEO) of KW&SB changed and the new management decided to disassociate itself with the application of Integrity Pact approach and TI-Pak.

5. The broader objective of introducing transparency in the procurement procedures to realize cost efficiency was achieved fully with respect to contracting for the engineering and supervision services for K-III Project. Eventually, the actual saving in the budgeted cost at over 75% was unprecedented for any public sector project in Pakistan. However, it was implied in the project objectives that once the Integrity Pact is introduced in the implementation of K-III Project, it would lead to an application of a similar approach across-the-board in KW&SB. This could not be realized because of, again, the change in management.

6. To a large extent the shortfall in the realization of project objectives was offset by the benefit arising from the demonstration effect of the application of Integrity Pact on K-III Project and the experience gained by TI-Pak. Specifically:

- The National Accountability Bureau, the national agency for enforcing anti-corruption measures, recognizing the benefit of the Integrity Pact in K-III Project decided to make the Integrity Pact a part of the National Anti-corruption Strategy for all future projects with cost of consultant's work more than Rs. 5 million (about US \$ 100,000) and construction or works more than Rs. 50 million (about US \$ 1 million). This decision will now be applicable on all future projects in Pakistan.
- TI-Pakistan has also recommended the inclusion of the Integrity Pact at a Round Table conference organized recently by the World Bank – OECD in Paris.
- Mayor of Karachi has decided to apply Integrity Pact concept, in partnership with TI-Pak, to all public contracting and procurements for the city.

7. Some shortfall in the realization of objectives does not mean that original project objectives were unrealistic or overly ambitious. If there were no change in management, most probably, the larger objectives would have been realized. A change in management coupled with a new leader with entirely different perceptions about the need and manner of introducing transparency in KW&SB could not have been foreseen at the project preparation stage.

8. **Project design.** The project design consisted of: (i) review of existing laws, regulations, contracts and other technical documents to see how best to harmonize them with the concept of the Integrity Pact, and (ii) apply the Integrity pact concept to a specific investment project, including consultations and agreements with stakeholders, local surveys and workshops and eventually a media campaign. This design proved to be appropriate as it was almost fully followed resulting in substantial project cost savings.

The design allowed sufficient flexibility for TI-Pak to adjust when some disagreements arose. Specifically, mid-way through project implementation, on account of the intervention of some parties with vested interest, the procedure and the basis for final contract award were changed. However, a timely intervention by TI-Pak salvaged the situation. The new procedures adopted after lobbying by TI-Pak required that the contract would be awarded to the lowest bidder among three top qualified bidders.

Implementation Experience

9. Overall, the project implementation was consistent with plans. All planned inputs were delivered by TI-Pak. This included review of procedures, regulations, laws, etc. with a view to harmonizing them with Integrity Pact concept. Planned seminars supported by a media campaign were also held which made a positive contribution towards successful implementation of the project. The total amount of PTF grant was utilized for project purposes, the actual expenses (Rs.1, 260,952) nominally exceeding the grant amount (Rs. 1,213,515 equivalent to \$19,000).

The Impact

10. The project impact should be assessed in terms of the quantifiable impact on the basic project (K-III project) and the qualitative impact on introduction of transparency to reduce corruption. In quantitative terms the project impact was significant as it resulted in substantial (75%) cost savings. In qualitative terms, it was ensured that the procurement process for the engineering and supervision services for K-III Project was corruption free. While the objective of making KW&SB a corruption free institution has not been realized so far, the benefits of transparency and fair play have been established. Already, the Mayor of Karachi has decided to apply Integrity Pact concept to all city procurements. Therefore, overall the impact of the project on corruption reduction is significant. An effort to reduce a high level of corruption such as exists in the country requires a lot of patience, tactful handling, and flexibility to achieve the objective of reduced corruption.

11. Now that Mayor of Karachi is also Chairman of KW&SB, it quite likely that he will invite TI-Pak again to resume work on KW&SB. If that happens, it would be advisable for TI-Pak to give a positive response.

Institutional Development Impact

12. The project demonstrated the viability of adoption of corruption-free procurement process in KW&SB. An institutional system of corruption-free procurements can be built on the foundations provided by TI-Pak. However, due to uncontrollable factors, the overall institutional impact of the project remains limited. It needs to be emphasized that PTF grant has played a major role in proving the viability of a corruption-free process and therefore, provided a major value-added service.

Lessons Learned

13. A major lesson emanating from the project implementation experience is the importance of pragmatism and flexibility to be exercised while dealing with partner organizations. In this case, after intervention by some parties with vested interest the procurement procedures were altered threatening the transparency of the whole

procurement process. However, a tactful handling of the situation by TI-Pak with some compromise, without sacrificing the broader objective of fairness and efficient procurement, a potentially adverse situation was averted. A rigid adherence to the procedure recommended by TI-Pak would have resulted in a complete collapse of the relationship between KW&SB and TI-Pak. Another positive lesson is that while efforts for transparency should be maintained, all possibilities of a direct personality clash should be avoided as was done in this case.

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April 29, 2003