

Integrity pacts

**Preventive tool to combat
corruption in construction
business and services**

Integrity pacts

- Voluntary agreement / multilateral pact
- Effective anti-corruption tool
- Complex method applicable in any contracts where public sources are involved
- Serves to decrease costs and risks in procurement

Preconditions for IP implementation

- awareness and willingness to meet preventive measures
- good understanding of the benefits of a clean and transparent competition
- advanced understanding of threats of corruptive practices and the consequences of them
- disclosure and information openness

Main objective of IP

- To increase transparency in public bidding processes, decreases corruption propensity
- To create a change in the official culture
- create a more equitable balance of power between the winning contractor and the contracting public body
- produce empirical corruption risk data in public resource investment

How does a IP work?

- A meeting is called which allows all bidders to discuss the pact – terms and conditions are agreed
- A standard draft pact is prepared for the bidders
- The IP process is explained to all interested bidders
- Informal and formal assurance of the institutional
- Highest representatives of both sides signing the IP
- Monitoring and evaluation of the contract
- Maintain transparency at each level of IP

Lessons learned since 2000

- All administrative levels must be involved
- The participants value the contribution of TI
- Monitoring is crucial to assure the agreed pact
- If a third party (TI) is not involved – risk of trivialization
- Private companies hesitant to use the tool if a direct benefit is unclear

Main difficulties and risks

- Keeping TI independent – high reputation risk
- TI is not the decision-making body
- Find sufficient financial sources to secure operations of TI in the IP
- It is necessary to count with:
 - a) resistance of public officials to improve process management
 - b) inhibition (private sector) to make the tool effective
 - c) abstain from denounce irregularities
 - d) the length of the process, not necessarily welcomed

Main challenges in the implementation process

- Always keep the focus on the public interest
- Transfer of ownership of the tool for other users
- To position the tool into local government and in case of privatization contracts on central level

Empirical data

- IP are used since 2000 in 23 chapters
- Colombia, Mexico, Ecuador, Argentina, Pakistan, Germany, Lithuania

Pakistan – Karachi Water & Sewerage Board Project

Pakistan Steel

Nature of Assignment	GoP Approved Estimated Costs	Contract Award Costs	Saving
Design&Sup ervision Consultants	4,22 Million	1,04 Million	3,13 Million
Construction Contracts	88,6 Million	74,63 Million	14,04 million
Total	92,85Million	75,67 Million	17,18 Million

Source: TI Pakistan

- Ecuador – Mobile phone supplier – 25% savings from costs
- Argentina – Garbage collection at local level – savings USD 13 Mil.

Source: TI Ecuador and Poder Ciudadano/Argentina

Resume

- Prevention costs more attention and sources but is more effective
- Prevention cultivates the environment
- Repression when effective is costly and in some countries encounters with legal obstacles
- Repression as a single measure is ineffective
- A combination of preventive and repressive measures can help to combat corruption in the procurement process.



Thank you for your attention!

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