Integrity pacts

Preventive tool to combat corruption in construction business and services

Transparency International – Czech Republic
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**

<table>
<thead>
<tr>
<th>Nature of Assignment</th>
<th>GoP Approved Estimated Costs</th>
<th>Contract Award Costs</th>
<th>Saving</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design &amp; Supervision Consultants</td>
<td>4,22 Million</td>
<td>1,04 Million</td>
<td>3,13 Million</td>
</tr>
<tr>
<td>Construction Contracts</td>
<td>88,6 Million</td>
<td>74,63 Million</td>
<td>14,04 million</td>
</tr>
<tr>
<td>Total</td>
<td>92,85 Million</td>
<td>75,67 Million</td>
<td>17,18 Million</td>
</tr>
</tbody>
</table>

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 Cuidadano/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!

www.transparency.cz