



# INTEGRITY PACTS – AN INTRODUCTION

## UNDERSTANDING INTEGRITY PACTS

### What type of contract can Integrity Pacts be applied to?

Integrity Pacts can be used in a wide variety of situations. They can be used for

- **construction** contracts,
- **supply** contracts,
- engineering, architectural or other **consultants** contracts,
- state **permits, licenses** or **concessions**, or for **government-regulated services** (such as telecommunications, water supply or rubbish collection services),
- state asset **privatisation** programmes,
- other **services delivery** contracts.

### When should the Integrity Pact start?

Whenever possible, the **Integrity Pact should cover all the activities related to the contract** from the identification of a need for procurement, the designing of the tender, the pre-selection of bidders, the bidding

and contracting proper, through the implementation, to its completion and operation. It is therefore recommended that the Integrity Pact start with the identification of procurement needs, although, it is possible to start it at the pre-tender and tendering stage as well. To get the most out of the Integrity Pacts, **the earlier it starts the better!**

### Who are the parties to an Integrity Pact?

In the preparatory phase of the procedure (from the identification of a need for procurement up to the moment of publishing a call for tenders) the **contracting authority** and the **monitor** constitute the parties of the Integrity Pact.

In the bidding phase, the Integrity Pact is joined by the **bidders**, the persons making an offer for carrying out the task that the procurement is aimed at.

In the third, closing phase, which is the implementation of the contract signed by the winner of the public procurement procedure, the **successful bidder**, the **contracting authority** and the **monitor** take part. Sub-contractors of the winning bidder also become part of the Integrity Pact.

**Donors** and **investors** can also join the Integrity Pact.

## Role of the monitor

The monitor, with the support of experts where necessary for the contract in question, follows closely all stages of the procedure and the implementation of the contract, and signals any breaches or concerns to the parties. The monitor also prepares regular reports on the transparency and fairness of the process. These are made publicly available.

## What form does an Integrity Pact take?

The Integrity Pact is a document which can take different forms depending on the local context. Designing this document is a key step of the process which takes part at the outset between the contracting authority and the monitor to ensure it is modified to suit the needs of the country and process that it relates to. The Integrity Pact does not replace the law of a country; rather it works within the law.

## What are the main elements of an Integrity Pact?

An Integrity Pact is signed for **a particular project** between the contracting authority undertaking the project, the monitor and the bidders. The major elements are:

- An undertaking by the contracting authority that its officials **will not demand or accept any bribes**, gifts or payments of any kind and maintain appropriate disciplinary, civil or criminal sanctions in case of violation.
- A statement by each bidder that it has **not paid, and will not pay, any bribes** in order to obtain or retain the contract.
- An undertaking by each bidder to **disclose all payments** made in connection with the contract in question.
- The explicit acceptance by each bidder that the commitments and obligations remain in force for the winning bidder **until the contract has been fully executed**.
- A **set of sanctions** for any violation by a bidder of its statements or undertakings, such as: denial or loss of contract; forfeiture of the bid or performance bond or other security; liability for damages to the contracting authority and the competing bidders and debarment of the violator by the contracting authority for an appropriate period of time.
- A mechanism for **dispute resolution**.
- The identification of an **independent external expert monitor**, who has wide-reaching rights and functions.

## How much does it cost to implement an Integrity Pact?

The cost of implementing an Integrity Pact may vary depending on the implementation arrangements, the activities included in the process and the complexity of bidding procedures. Whatever the case, experience has shown that they remain **a very small percentage of the project costs**.

## Financing an Integrity Pact

The costs of an Integrity Pact can be covered by different sources:

- the authority's own resources,
- contributions from donors or project financiers,
- bidders' fees,
- a combination of the above.

## THE BENEFITS OF INTEGRITY PACTS

### A simple and flexible tool

Integrity Pacts are essentially **contracts** establishing the rights and obligations of all the parties to a public contracting process. They are very **simple, flexible** and **adaptable**:

- they can be implemented within the regular authority of contracting officials and bodies,
- they allow the implementation of desirable standards without the need for additional legal reform,
- they can be applied to a wide variety and size of public contracts.

### A tool that builds public trust

- Integrity Pacts enable governments to gather and mobilise **public support** for their programmes and to avoid the high cost in loss of reputation attached to occurrences of corruption in highly sensitive projects.
- Integrity Pacts improve **credibility** and **legitimacy** of a contracting authority: whoever is ready to expose its public procurement procedure to the scrutiny of an independent monitor, and through him to the public, has nothing to hide.
- Integrity Pacts create **confidence** and **trust** in public decision-making, beyond the individual impact on the contracting process in question, and foster a more hospitable investment climate.

## A tool that ensures project quality and lowers costs

Integrity Pacts enable governments to **reduce the high cost** and distorting effects of corruption in public contracting by:

- helping to provide for **fair play**: it will motivate the bidders to prepare the best possible offer, and consequently implement the contract in the best possible way – none of the bidders will enjoy secret advantages;
- allowing **early detection of problems**: timely fixes are less expensive and prevent delays in project implementation.

## A tool that helps to meet expectations

National anti-corruption preventive actions are expected by **citizens** and the **European Union**:

- New EU Cohesion Policy regulations have established new regulatory responsibilities for national authorities managing EU funds, which require that they put in place proportionate **fraud prevention measures** identifying and tackling potential risk areas.
- **Anti-corruption measures** of EU Member States are assessed by the European Commission in its anti-corruption report, published every 2 years (the next one due in 2016).

## A tool that shows leadership

Contracting Authorities can show they are **innovative** and **lead by example**. From this perspective, Integrity Pacts:

- empower **public officials** determined to fight corruption and to protect their good work in complicated projects;
- empower **civil society** in its contribution to the integrity of public procurement processes.

## A tool which can help to improve public contracting processes for future projects

- Integrity Pacts can point to systemic anomalies which, if corrected, will result in **considerable improvement** of all future procurement processes.
- Integrity Pacts can also encourage **institutional changes**, such as the increased use of e-procurement systems, simplified administrative procedures and improved regulatory action.

### For more information

<http://www.transparency.org/whatwedo/tools>

[http://transparency.hu/uploads/docs/handbook\\_on\\_the\\_integrity\\_pact.pdf](http://transparency.hu/uploads/docs/handbook_on_the_integrity_pact.pdf)