Preventing Corruption in Construction Projects: The experience of the Integrity Pact

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The TI Integrity Pact (IP)

- Mutual commitment/pledge by principal and bidders to refrain from all acts of bribery (and by winning bidder, "throughout execution phase")

- Commitment by bidders to disclose all payments to third parties

- Sanctions for violators (bidders and staff of principal)
  - Loss of Contract
  - Loss of bid or performance bond
  - Liability for Damages (to principal and competitors)
  - Debarment
  - Civil, criminal, administrative sanctions for staff

- Arbitration

- Monitoring by Civil Society (external expert monitor)
Through Monitoring, Civil Society plays a key role in holding government and bidders to task
• Monitor must have full access to all documents and parties

Advantage of IP:
Bidders can refrain from paying bribes in the knowledge that their competitors are covered by the same pledge – a controlled environment

Demand:
Normally government departments impose the IP; but companies, about to bid for a major government contract, can also approach the principal and demand the use of an Integrity Pact
Track Record of the IP:

- Several hundred IPs in place, globally
- Feedback generally very positive
- Compliance rate high
- Significant savings in numerous cases (10-60%)
- Sanctions applied (debarment – Italy)
- Bidders usually quickly convinced of benefits
- Critical importance of Monitor (prevention and repression aspects)
Selected Examples of Integrity Pacts:

Germany - Berlin International Airport - All contracts
- Initiative: Airport Company (history of corruption)
- IP mandatory
- IP covers Bidding and Execution phases
- Monitor: independent external expert, selected and supervised by TI-G
- M has access to all documents (of Principal and bidders) and all meetings, can meet bidders
- M monitors content and process
- In case of suspicion: M seeks correction from (i) Management (ii) Board Chair (iii) Publ.Prosecutor
- To date, 37 major contracts awarded, no problems
- Bidders raised no complaints
- No evidence of cost savings yet
• Unilateral Integrity Declarations by Principal and Bidders, submitted to TI-Mex
• Monitoring of bidding/contracting process only
  by Social Witness (independent and technically competent expert) - appointed by TI-Mex and representing TI-Mex
• TI-Mex itself maintained contact with bidders and monitored bid evaluation (bidders: “highest risk“)
• Social Witness published final assessment report
• Result: Winning bid 8% below estimate
• Result: Government decided to apply IP, appoint Social Witnesses for additional projects (La Yesca)
• PowerCy modified its procurement processes and experiences more competition and lower prices
Proven Impact of Integrity Pact

- reduced investment costs
- better quality construction
- longer lasting infrastructure
- encouraging competitive bids
- increased confidence of bidders
- increased trust of citizens in public administration and in NGOs