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the global coalition against corruption

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**

Mexico - El Cajon Hydroelectric Dam (largest ever in M.)

- **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**