# Tool sheet

The Tool Sheet gives an overview of available tools for improved water integrity

Risk Mitigation

# Integrity Pacts

## Reducing corruption risks in public procurement

### OVERVIEW

The Integrity Pact (IP) is an anti-corruption tool for governmental authorities developed by Transparency International, the international anti-corruption organisation, with the aim of reducing corruption in public contracting between government actors and bidders of public sector contract. It is a collaborative tool as it requires the contracting parties from the governmental and private sector to work together to implement the IP, which is facilitated by a Civil Society Organisation (CSOs).

Mitigating corruption risks in public procurement is critical as this area of government is subject to high risks of corruption. In particular as large water sector projects are highly complex and thus require technical know-how involving large financial flows, making the projects therefore more prone to corruption. Reducing corruption in contracting allows governments to get better value for taxpayers' money and to limit the distorting impacts of corruption. This can help to establish public trust in governments and in political decision-making processes. For the bidding companies this implies competing in a level playing field without the risk of a company winning over another by bribing.

The integrity pact concept entails designing a contracting process where all parties involved in the contracting commit to abstaining from offering, demanding or accepting bribes. Overseen by an independent monitor contracted by a civil society organisation (often a local Chapter of Transparency International), the Integrity Pact opens up procurement processes to civil society monitoring, and to the general public. The monitor assures that all signatory parties uphold their commitments.

**BOX 1 Information at a glance:**

**Developed by -** Transparency International in the 1990s.

**Used by -** Central, local or municipal government, or state owned enterprise, bidders and civil society.

**Implementation frequency -** Once during the contracting process.

**More information -** Transparency International, Transparency International Mexico, TI-WIN publication "Integrity Pacts in the water sector"

### OBJECTIVES

The objectives of the tool are:

- To ensure that parties involved in contracting **abstain from bribing and corrupt activities**.
- To enable that **sanctions are imposed** on actors breeching the contract.
- To monitor **adherence to the contract** by all parties.

### SCOPE

Successfully integrating the integrity pact concept into public contracting processes requires:

- **Political will and commitment** which can be strengthened through supportive communication strategies to make all actors understand roles and responsibilities.

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- **Maximum transparency** at every step of the procurement process.
- **Independent, knowledgeable and committed monitoring** requiring capacity and good reputation. A monitoring system could be made up of a multi-stakeholder group, i.e. civil society.
- **Adaptation of the tool** to the specific context.
- **Resources and capacities;** the costs of implementing the tool depends on the specifics of the project but remain a small percentage of overall project costs. For large infrastructure projects, the total annual costs of implementation would be approximately USD 100,000.

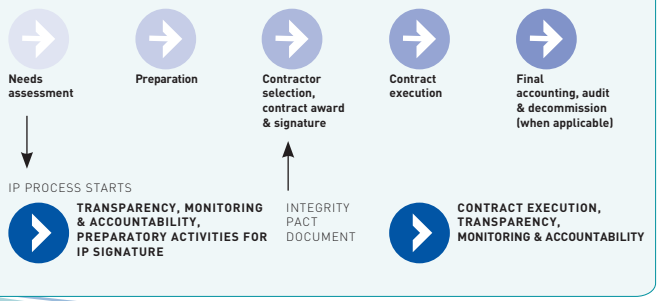
Integrity Pacts can be implemented without changing local laws and may cover the planning, design, construction and installation stages of a project provided that decision-making is based on a competitive process.

## IN PRACTICE

Three important documents that need to be endorsed by the contracting agency and the CSOs are: (a) the Memorandum of Understanding (MOU), (b) the IP itself; and (c) the TORs for the independent monitor (IM ). Implementing the integrity pact requires several steps:

1. **Considering the use of IPs:** Actors learn about the concept of the IP and issues of corruption in public contracting to select a suitable project. The support, resources and capacity requirements have to be identified as well as finance and expertise mobilised.
2. **Design of an IP:** This stage requires the authorities and CSO to define the type of IP and adaptation and implementation requirements as well as the selection and designing of the monitoring system. The government agency needs to agree on the terms of the deal and sanctions which would be included in the terms of the contract for the bidders. Sanctions can include loss of the contract, liability for damages or debarment from future bidding opportunities.
3. **Initial activities:** The first activity is the preparation and signature of the MOU by the Contracting Agency and the CSO. Other activities before the bidding starts include public hearings and reviewing of bidding documents.
4. **Preparation of IP documents;** which consists of several elements: The signatory parties (the authority and bidders), obligations (including undertakings by the signatory parties to abstain from bribing, collusions, etc.), sanctions (which apply to the parties signing the IP), the monitoring systems and dispute resolution and stakeholder participation mechanisms.
5. **Signing of IP** by the 'Authority' and by each bidder.
6. **Monitoring during bidding and after the bid:** the monitor (usually an engineer or a lawyer under contract to a CSO) examines the documents, reports, facilitates a public hearing, reviews documents, collects information on complaints after service contracting, etc.

**FIGURE 1 Contracting process**




## CONCLUSION AND RECOMMENDATION

The tool helps to reduce corruption in the procurement process which requires stringent monitoring mechanisms, and commitment by all parties. However, other complementary approaches and tools should be implemented to strengthen anti-corruption measures in procurement processes. This is important to avoid window dressing. When well designed, implemented and monitored, the integrity pact can effectively mitigate corruption risks in public procurement. Examples of successful Integrity Pact implementation include the cases El Cajón and La Yesca in Mexico (hydroelectric projects of 750 MW capacity) and the Great Karachi Water Supply Scheme in Pakistan. A key condition is however that the independence of the monitor is guaranteed to ensure credibility and efficiency. Furthermore, political will is crucial to implement the tool as is a committed and capable CSOs.