

IMPORTANT PROVISIONS AND HIGHLIGHTS OF INTEGRITY PACT (IP)

What is Integrity Pact?

- The Integrity Pact (IP) is a tool developed in 1990s by Transparency International (TI) to help Governments, Businesses and Civil Society to fight corruption in public contracting and procurements.
- IP establishes mutual contractual rights and obligations to reduce the high cost and effects of corruption. It covers all contract related activities from pre-selection of bidders, bidding, contracting, implementation, completion and operation. Thus, IP is intended to make public contracting and procurement transparent by binding all to ethical conduct.
- It also envisages a monitoring role for the Civil Society which is the ultimate beneficiary of such action.
- The IP was introduced in India in 2006 with the support of Central Vigilance Commission (CVC).
- Since 2006, 39 Central Public Sector Undertakings (PSUs) have adopted IP. As reported by various PSUs, it has proved an effective tool in dealing with malpractices in procurements.
- The IP consists of a process of signing an agreement between the Government or a Government Department and Bidders for a Public Sector contract.
- It contains commitment to the effect that neither side will pay, offer, demand or accept bribes, or collude with competitors to obtain the contract, or while carrying it out.
- Bidders will disclose all commissions and similar payments made by them to anybody in connection with the Contract.
- Sanctions will apply in case of violations. IP also introduces a monitoring system that provides for independent oversight and accountability.

Why should a Company sign IP?

- The IP is a model for transparency in public procurement and contracts.
- It helps enhance public trust in Government Contracting and hence contributes to improving credibility of Contracting procedures and administration in general.
- It enables companies to abstain from bribing by providing assurances to them that-
 - (a) Their competitors will also refrain from bribing
 - (b) Government bidding system and procurement will be absolutely transparent
 - (c) Government will not only prevent corruption but also extortion by their officials, and follow transparent procedures.
- It helps Government and Companies to reduce high cost and maintain quality control.
- It creates confidence and trust in decision making process, a more hospitable investment climate, and public support in the country.

Integrity Pact ensures what?

- Greater transparency and integrity between buyer and seller.
- Elimination of external interventions in matters of Contracts and Tenders.
- Improved sense of ethics in Companies and among the Bidders.
- Reduction in representations/complaints from any Bidder or Contractor for review.
- Improvement in the bottom line.

Why relevant in India?

- India is perceived to be one of the corrupt nations and ranks 84th among 180 countries in Transparency International's Corruption Perception Index (CPI) 2009.

- Existing anti-corruption organizations have had limited success in fighting corruption.
- Most people believe that corruption is rising at an alarming rate.
- Frequent scandals and delays plague Government Contracts and other procurement.
- Such delays increase costs of procurement, works and public projects and drains public exchequer.
- Corruption hurts poorest the most.
- IP program is a method of supplementing existing methods and is found to be an effective tool for ensuring transparency in public contracting.

What are the main features of Integrity Pact?

- A Pact (Contract) is entered into by the Principal (A government office inviting public tenders for the supply, consultancy, construction and /or any other service) and the Counter-party (bidders, contractors or the suppliers).
- The Principal and the Counter-party commit that they will not demand or accept any bribe or gift. The Principal agrees that its officials will not do so. They will be subject to disciplinary or criminal action in case of violation. Similarly, the Bidder assures that he would not pay any bribe in order to obtain and retain this Contract.
- Independent External Monitor (IEM), who is a person of impeccable integrity and has knowledge of Tendering/Contracting processes, is appointed to oversee IP's implementation and effectiveness. The panel of IEMs is approved by Central Vigilance Commission (CVC).
- Use of IEM's advice as conflict resolution mechanism.
- A set of sanctions for any violation by a bidder of its commitments or undertakings.

How Integrity Pact works?

- A MOU is signed between the Principal and TII.
- Commitment is obtained from all senior officials of the Principal to implement the IP program.
- In case there are subsidiaries of the Principal, they are advised to follow IP of the Principal.
- Selection of IEMs by the Principal in consultation with CVC.
- Displaying the IP, particulars of IEMs along with contact numbers and Email IDs, and MoU signed with TII on the website of the Principal.
- Periodic review and evaluation of IP's implementation and its effectiveness

What are the violations & Consequences?

- If a vendor commits a violation of its commitments and obligations under the IP program, it may result in the following consequences:
 - (i) Loss of bid security and performance bond.
 - (ii) The Principal may terminate its current contract and business relationship with the vendor.
 - (iii) Banning and exclusion of vendors from future dealings
