

- Selection of IEMs by the Principal in consultation with CVC and TII.
- 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 through:
 - conducting an annual assessment of IP by the IEMs, senior leadership of organization, CVC and TII . Thus identifying areas for improvement.
 - an annual report on the progress/effectiveness of IP program by IEMs to the Board of Directors of the concerned PSU.

Violations & Consequences

- If a vendor commits a violation of its commitments and obligations under the IP program, it may result in the following consequences:
 - Loss of bid security and performance bond.
 - The Principal may terminate its current contract and business relationship with the vendor.
 - Banning and exclusion of vendors from future dealings until the concerned IEMs are satisfied that the vendors will not commit violations in future.
 - Criminal proceedings against the violating vendor(s), if necessary.
 - Payment of damages as determined by IEM.

List of PSUs that have Implemented Integrity Pact

PSU	Date
Oil & Natural Gas Corporation	17.04.2006
Rashtriya Ispat Nigam Limited	29.03.2007
Hindustan Petroleum Corporation Limited	13.07.2007
Gas Authority of India Limited	23.07.2007
Coal India Limited	25.08.2007
Hindustan Steelworks Construction Limited	24.09.2007
MECON Limited	24.09.2007
Metal Scrap Trading Corporation Limited	24.09.2007
National Mineral Development Corporation	24.09.2007
Ferro Scrap Nigam Limited	24.09.2007
Steel Authority of India Limited	24.09.2007
Kudremukh Iron Ore Company Limited	24.09.2007
Bharat Refractories Limited	24.09.2007
Manganese Ore (India) Limited	24.09.2007
Oil India Limited	29.11.2007
Container Corporation of India	20.12.2007
Neyveli Lignite Corporation Limited	29.12.2007
Bharat Petroleum Corporation Limited	10.01.2008
Indian Oil Corporation Limited	18.01.2008
Airport Authority of India	15.02.2008
Mahanagar Telephone Nigam Limited	05.03.2008
Northern Coalfields Limited	14.03.2008
South Eastern Coalfields Limited	26.03.2008
Mahanadi Coalfields Limited	07.04.2008
Western Coalfields Limited	21.05.2008
Central Coalfields Limited	11.08.2008
Central Mine Planning Design & Institute	11.08.2008
Telecommunication Consultants India Ltd.	27.08.2008
Hindustan Copper Limited	29.09.2008
Bharat Heavy Electrical Limited	16.12.2008
National Thermal Power Corporation	16.12.2008
Eastern Coalfields Limited	24.12.2008
Bharat Sanchar Nigam Limited	02.03.2009
Bharat Coking Coal Limited	04.03.2009
RITES Limited	13.03.2009
Chennai Petroleum Corporation Limited	24.03.2009
Shipping Corporation of India Limited	26.03.2009
National Hydro-Electric Power Corpn. Ltd.	15.05.2009
Power Grid Corporation of India Limited	24.12.2009



Transparency International India Integrity Pact for Procurement



“Integrity Pact strengthens established systems and procedures by creating trust and would have full support of the Central Vigilance Commission”.

- Pratyush Sinha
Central Vigilance Commissioner

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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. Transparency International India (TII) came into existence as a national chapter of TI in the year 1997. TII has advocated IP as one of the important tools, to curb corruption in procurement. 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.

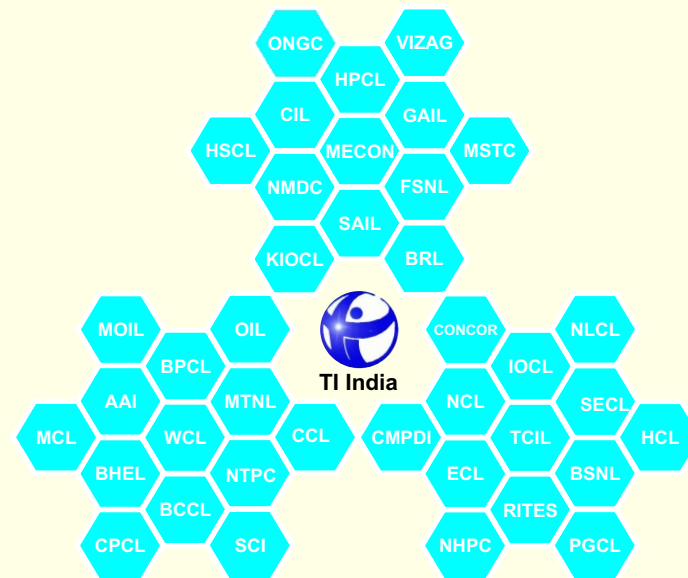
The IP was introduced in India in 2006 with the support of Central Vigilance Commission (CVC). The Second Administrative Reforms Commission (ARC) has also supported the concept of IP for controlling corruption in contracting. The Prime Minister in his address on August 26, 2009 to CBI and State Anti-corruption Bureaux mentioned IP as a tool to curb corruption. 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. Besides, 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 occur. 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 Adopted by



Experiences

Integrity Pact ensures

- 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.

Role of Central Vigilance Commission (CVC)

- Extending full support to the concept, the CVC issued circulars on Dec. 4, 2007, May 19th & Aug 5th 2008 and May 18th, 2009 recommending the adoption of Integrity Pact in all major procurements.
- Appointment of Independent External Monitors (IEMs) is approved by CVC.

- Periodical monitoring of IP.
- In accordance with CVC's circulars, the Department of Personal & Training has also issued a circular on 16th June 2009 recommending IP for State PSUs

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 sanction 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?

- Drafts of the MOU and the Integrity Pact are prepared by the Principal and approved by Central Vigilance Commission (CVC) and TII.
- 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.