

Integrity Pact (IP) in AAI Tenders/Contracts

-D.S. Mishra, CVO

Dr. K Ramalingam, Chairman, AAI signed a MoU regarding implementation of Integrity Pact in procurement and execution of projects above certain specified values with Admiral R.H. Tahiliani, Chairman of Transparency International, India on 15th Feb 2008. The occasion was graced by Shri Pratyush Sinha, Central Vigilance Commissioner, Shri Sudhir Kumar, Vigilance Commissioner, Shri Ashok Chawla, Secretary, Ministry of Civil Aviation and other dignitaries from CVC, MOCA and AAI.

2. What is IP?

- 2.1 IP is an instrument developed by Transparency International (TI), a Berlin based NGO which is committed for rooting out corruption from public offices. This instrument was developed in 1990s while executing modernization of Berlin International Airport project for safeguarding public procurement from corruption. This not only helped timely execution of Berlin project but also led to reduction in cost and improvement in quality.
- 2.2 This instrument provides a tool for a voluntary agreement between bidders/contractor and the organization to restrict opportunities for corrupt practices in bidding execution of a project. This has been adopted and implemented with local modifications in several countries in execution of large scale infrastructure projects.
- 2.3 In India, Oil & Natural Gas Commission (ONGC) is the first Central Public Sector Undertaking (CPSU) which adopted this instrument for its procurements above Rs. 150 crores in July'05. Commission later extended its applicability for all procurements of value above Rs. 1 crore.

3. Major Key Elements

- 3.1 This instrument requires a pact to be signed between the organization and bidders/contractor to the effect that officials of the first party will not demand or accept any bribe, graft, etc. directly/indirectly and will face appropriate disciplinary/criminal action(s) for any violation, and an undertaking by each bidder/contractor that it has not paid and will not pay any bribe, in whatsoever form for winning the bid or executing the contract.

- 3.2 It enjoins upon bidders/contractor to voluntarily disclose any payments if they have made, in connection with tender/contract to any member of the organization or third party through which they could be benefited. In brief, this instrument leads to a non-bribery commitment between either party and paves way for an honest procurement.
- 3.3 In case of violation of the commitment, the bidders/contractor face different types of punitive actions like denial or loss of contract, forfeiture of the bid security/performance bond and debarment for a specified period.

4. How IP is being implemented?

- 4.1 113th Board Meeting held on 3rd August, 2007 considered and decided implementation of Integrity Pact programme in AAI on a pilot basis for one year in tenders/contracts of values specified below:
- Civil/Electrical/Composite Projects \geq Rs. 50 crores;
 - CNS/Electronics Projects \geq Rs. 25 crores; and
 - Land/Commercial Contracts \geq Rs. 25 crores (Annual Rental).
- 4.2 For overseeing honest implementation of the IP, following three eminent personalities with civil aviation sector background and known for their impeccable integrity, have been engaged with the approval of CVC as External Independent Monitors (EIMs):
- Shri M.K. Kaw, Former Secretary, Ministry of Civil Aviation
 - Shri K.N. Ardhanareeswaran, Former Chairman of erstwhile NAA and IAAI
 - Shri R.C. Rekhi, Former Member Engineering of erstwhile IAAI.
- 4.3 Integrity Pact has been made mandatory for all tenders/contracts with specified values w.e.f. 1st April, 2008.
- 4.4 Executive Director PMQA has been designated as Nodal Officer for implementation of IP.
- 4.5 The pact has been implemented in 25 contracts of total estimated value over Rs. 4784.34 crores till 1st Jan, 2009.

4.6 Review of implementation of IP will be undertaken after one year in consultation with EIMs for lowering values of tenders/contracts under the purview of IP.

5. How will Authority benefit from IP?

5.1 Some of the benefits expected from adoption of this instrument in public procurements are as below:

- Fairness, equity and transparency in procurement;
- Improved sense of business ethics;
- Involvement of an independent third party for honest procurement;
- Possible drop in representations/ complaints / court cases;
- Reduced external interventions;
- Discouragement to cartelization of firms;
- Enhanced stakeholders trust;
- Better credibility in procurements;
- Reduction in cost/ increase in revenue; and
- Improved public image.