

Safeguarding EU funds against fraud & corruption through the civil control mechanism of Integrity Pacts

International conference in Budapest on 17-18 February 2014.



This event is supported by the European Union Programme Hercule II (2007-2013). This programme is implemented by the European Commission. It was established to promote activities to combat fraud affecting the EU's financial interests, including cigarette smuggling and counterfeiting. (for more information see http://ec.europa.eu/anti_fraud/about-us/funding/index_en.htm)

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Summary

Public procurement is one of the six key corruption risk hot spots across Europe.¹ Transparency International Hungary considers action against public corruption as one of its main missions. We work to combat fraud and collusion in procurement, for fair and open competition in business, and promote this principle of growing importance in Europe and Hungary in the public and the private sector alike.

On February 17-18, 2014 a large-scale international seminar will take place in Budapest, organized by Transparency International Hungary, with the participation of over 40 stakeholders from more than 10 countries. The seminar is the peak event of a project aimed at exploring and publicizing the Integrity Pact: a highly effective cleaning method of public procurement. We aim at:

- Introducing the Integrity Pact as an innovative idea and methodology to prevent corrupt public procurements affecting the EU's financial interests as well as those of individual states who benefit from EU funds.
- Creating a forum, both nationally in each partner country and internationally, for the exchange of experience, information and best practices in monitoring EU funded procurements with civil participation.
- Developing mutual links and a forum to enable stakeholders and participants to effectively use the Integrity Pacts in concrete cases involving EU funds.

An additional objective is to work on the development of a common, EU-level method of prevention of fraud through the use of IPs, together with EU level experts and all the involved decision makers. Another additional objective is to raise interest of EU funding bodies in the possibility of regarding IPs as a soft requirement for funding, interpreting the will of a public or private sector body to use IPs as a sign of commitment to transparency and fairness.



¹ As identified in TI's 2012 pan-European report "Money, Politics, Power: Corruption Risks in Europe".

What is the problem and why are IPs a solution?



Procurements are extremely vulnerable in terms of corruption - systematic corruption can increase purchase prices by an internationally estimated 20-25%. This data is reinforced by domestic research results, stating that 65-75% of public procurement procedures in Hungary are corrupt. Trust and fair business competition are seriously hindered if procurement processes are non-transparent. This is why it is important that more and more corporations and public bodies recognize that transparency in procurement increases trust in public institutions, and enhances competition in the business sector.

The Integrity Pact (IP) is a tool developed by Transparency International (TI) that assures clean bidding in public contracting for firms, state-owned enterprises and public sector bodies. It consists of a process that includes an agreement between the contracting authority and all bidders for a public sector contract.

Companies and governments alike stand to benefit from IPs. Companies can refrain from bribing in the knowledge that their competitors are bound by the same rules, while governments can reduce the high cost of corruption on procurement, privatization and licensing. The IP has shown itself to be adaptable to many legal settings and flexible in its application, thus it can also be used in procurement processes which are not regulated by the Public Procurement Act.

Since its conception, it has been used in more than 15 countries worldwide and has benefited from feedback from a variety of individuals and organizations. Among international IP use experiences to be presented and analyzed at the seminar, there is the construction of Berlin's new international airport – a €2.4 billion project, the construction of a new national library, a concert hall and a contemporary art museum where the Latvian Ministry of Culture signed an IP with TI Latvia, and Italian experiences, where the pact has been introduced mainly at municipal level.



In Hungary, IPs have been successfully used by the Hungarian National Bank in two procurements, the municipality of Ózd on the Water Supply Rehabilitation Project financed by the Swiss Contribution Office, and the municipality of the 13th District of Budapest, where the renovation of a nursery school is also taking place safeguarded by TI in the framework of an Integrity Pact.

According to Transparency International's experience, the application of Integrity Pacts reduces purchase prices by up to 30%. This is why the IP is also listed as best practice among the OECD's latest recommendations on public procurement.¹

About the event

Speakers and stakeholders intervening at the event will contribute to the development of the conference's thematic program through a cooperative brainstorming and the preparation of presentations and questions to be addressed. The focus of the encounter will be based on this jointly developed material.

Among the speakers and chairs of the event there are international and national civil representatives and public authorities from participating countries who either have experience in IP use or are interested in the possibility, as well as Hungarian public authorities dealing with public procurement, its legislative aspects, control or sanctioning.

The two-day international seminar targets mainly the following:

- companies (managers, procurement experts, communication specialists and IT specialists)
- public authorities
- civil representatives
- municipalities
- EU-level and national stakeholders dealing with the allocation and distribution of EU funds

The event will be held at a representative hotel in the center of Budapest, where international participants will also be lodging. The two-day seminar will consist of frontal presentations, roundtable discussions and interactive workshop panels on both of the afternoon sessions.

Attendance at the seminar is free of charge. English and Hungarian interpretation will be provided. It is possible to attend both days, or the second day only. The foreseen program of the event will be the following.

The first day tackles the corruption risks of EU funds spending with emphasis on public procurement. Afterwards, EU control mechanisms and prosecution of related cases of fraud are addressed. The focus then shifts onto the Integrity Pact as a possible solution to tackle corruption. International IP specialists present the tool and representatives from IP- applying states share their experiences in relevant case-studies. At last, working groups containing IP specialists, EU stakeholders, and national stakeholders (representatives of the private and the public sector) work on approaches and solutions regarding 4 relevant issues of IP use.

On the second day the event starts with a press conference. On this day, municipalities and companies interested in IPs are the main target audience. Implementation of IPs in Hungary is the main focus. In the first part of the day, institutions who already implemented IPs in Hungary share the present and past good practices. The second half of this day is again devoted to working groups, each of them involving a TI representative, a representative of an IP-user body, and a stakeholder interested in the implementation of IP in a concrete case. The aim of this day is to provide hands-on and practical guidance to implement IPs not only for those who receive EU funds, but also for companies who commit themselves to the values of integrity and fair business.

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The project and the event are also sponsored by:



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