

Practice Name:

Riga Tram Integrity Pact

Practice category:

- Cooperation Mechanisms



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Country:

Latvia

Fraud risk(s) countered

- Conflict of interest
- Avoidance or manipulation of public procurement procedures

Context and objective(s)

In 2017, the project “Development of Riga Tram Infrastructure”, commonly known as the Skanstes tram project, was approved within the 2014–2020 Operational Programme “Growth and Employment” in Latvia¹. The implementation of the project would ensure more efficient public transport services in urbanised areas of Riga city, ease congestion reduce the number of road accidents and the negative environmental impact, as well as improving the means of public transportation, by raising quality standards and shortening journey times for vehicles and passengers, without worsening traffic conditions.

This project was included within the “**Civil Control Mechanism for Safeguarding EU Funds**” programme, which was launched by the European Commission DG REGIO in 2016 to test the Integrity Pact Initiative in 11 EU countries. The Integrity Pact (IP) was introduced as a monitoring tool for EU funded projects. The pilot initiative of IP, developed by **Transparency International**, explores the potential for civic monitoring on a large scale in order to promote a more transparent and accountable use of EU funds.

The **main aims** of the initiative are to help achieve broader and deeper scrutiny of public contracts than was previously possible, and to bring citizens much closer to the scrutiny process, working with individuals in the public and private sector to safeguard EU funds and improve trust and efficiency in public contracts.

¹ <https://cohesiondata.ec.europa.eu/programmes/2014LV16MAOP001>

Description of the practice

The main steps of the Tram project included:

- building of a 3.6 km new tram infrastructure section;
- reconstruction of an existing tram infrastructure section of ~3 km;
- purchase of 12 low-floor trams;
- building of one new sub-station, reconstruction of one sub-station, building of the contact line and contact line energy supply cable network;
- building of about 11 new tram stops;
- in some places – reconstruction of streets, building of local carriageway, relocation of utilities networks, development of the traffic control system, etc.

The total eligible cost of the project “**Development of Riga Tram Infrastructure**” was €97.4 million, of which nearly €65.7 million would come from the EU Cohesion Fund. Rigas Satiksme (Riga Transport Authority) would contribute €27.4 million to the project and the implementation of the project was scheduled to be completed by 2022.

Transparency International Latvia - Delna (TI Delna) was appointed as the monitoring authority in the Riga traffic project, with the budget being set at €356. 731. In November 2016, TI Latvia Delna entered into an IP (Integrity Pact) with **Rigas Satiksme** to monitor the tender and contract implementation of various aspects of the project.

The **IP** is essentially a document signed between a contracting authority, bidders and an independent monitor. It is legally binding; it commits all parties to comply with anti-corruption best practices and empowers the monitor to ensure this happens. Monitors follow the whole procurement process – from design to implementation. They commit to maximum transparency and all monitoring reports and results are made available to the public on an ongoing basis. For instance, TI Latvia - Delna actively followed the selection procedure and was involved in the negotiations, with the aim of ensuring that the principles of equality and openness are respected in the implementation of the negotiated procedure.

Overview and timeline of TI Delna’s monitoring activities are detailed on the website of the initiative https://delna.lv/lv/intergritates_pakts_2016/.

Unique features

- By setting **precedents for clean practices in the public procurement process**, IP pacts also aim to contribute towards greater public confidence that funds are being spent efficiently as well as that redress is possible if corruption does occur. This fosters higher levels of trust in government agencies and the private sector. IP Pacts provide **enhanced access to information**, increasing the level of transparency in public contracts, and can also encourage institutional changes, such as increased commitment to making data available in a truly open format, simplified administrative procedures, and improved regulatory action. This, in turn, leads to greater trust in public decision-making, less litigation over procurement processes and more bidders competing for contracts.
- The concept of IP Pacts **draws on international open contracting principles**, and engages communities, social groups and professional associations directly affected by a specific public contract (e.g. those who live near to where a flood reservoir, highway, hospital or other facility is being built). These **social accountability mechanisms** are necessary for building trust in the public procurement process and ensuring that these big projects reflect the public interest, particularly the interest of those communities and groups most affected by the project. This means engaging these communities in the monitoring of the procurement throughout as many phases of the project (from pre-tender to implementation and evaluation) as possible.

Outcomes and results

TI Latvia - Delna, as an independent monitor on this project, was able to identify and act on corruption and competition risks on numerous occasions.

Main challenges encountered:

- **Procurement documents tailored for one bidder in the 1st procurement - deliberate reduction of competition with artificially restricted procurement conditions** (“Development of construction plan for a new tram infrastructure section”)
- **Suspicion of document forgery in the 2nd procurement** (relaunched tender - “Development of construction plan for a new tram infrastructure section”)
- **Excessively restrictive bid requirements and questionable validity of technical evaluation criteria in the tendering and awards of the 3rd procurement** (“On the delivery of low-floor trams”)².

The main outcomes included:

- **Early detection and prevention of irregularities and single-bidding situations** in the 1st and 3rd procurements and saving of public resources
- **Better institutional processes and stronger cooperation** between procurement oversight authority and civil society monitor in addressing corruption risks in the procurement cycle
- **Increased government’s willingness to introduce IP-Pacts** to monitor EU-funded procurements in Latvia’s municipalities

Key success factors

According to **OECD**³, the crucial elements for the successful design, setup and implementation of an IP-pacts are:

1. The political will of the authority to use this tool to its full extent in order to reduce corruption and to reinforce honesty and integrity in government contracting.
2. Getting the basics right: maximum transparency at every step leading up to the contract and throughout its execution, and an adequate, well designed contracting process, are essential. Such transparency calls for extensive and easy public access to all relevant information, including design, justification of contracting, pre-selection and selection of consultants, bidding documents, preselection of contractors, bidding procedures, bid evaluation, contracting, contract execution and supervision. If these basics are right, the job of the monitor is easier.
3. The use of an external independent monitoring system that verifies that the obligations in the integrity pact are fulfilled, and exercises the functions agreed to in it with regard to the tender process and contract execution.
4. Multi-stakeholder involvement: civil society has a very important role to play in supporting governments implementing IP-pacts, although the dynamics are different in every context. Civil society organisations are a source of expertise, legitimacy, credibility and independence. In addition, the correct involvement of eligible and potential bidders will ensure ownership and responsibility.

Challenges encountered & lessons learned

The initial stage of the Skanstes tram project was implemented, however, in May 2019 the **Central Finance and Contracting Agency of the Republic of Latvia** terminated the agreement with the Riga Transport Authority, withdrawing funding and cancelling the Riga tram extension project due to suspicions of fraudulent activity, mismanagement and high corruption risks in the project. The authority’s decision draws on an external audit report scrutinising the activities of Riga Satiksme.

² <https://delna.lv/wp-content/uploads/2018/07/Monitoring-Riga-City-Traffic-Translation-.pdf>

³ <https://www.oecd.org/mena/competitiveness/Lecture%20on%20developing%20integrity%20pacts.pdf>

Delna published the following **recommendations** concerning the public procurement process in Latvia:

- Requirement of inclusion of independent and high-level technical expertise in Public Procurement Commissions for complex infrastructure projects at the national and local level
- Introduction of measures for increasing foreign competition in complex infrastructure procurements in small markets
- Introduction of mandatory, secure and reliable whistleblowing systems for companies and their employees in all EU-funded procurement projects.

Potential for the transferability

The concept of IP- Pacts has already been applied in **more than 15 countries and 300 separate situations worldwide**. The initiative has been widely recognised as a success in bringing EU policies and administrations closer to citizens. The initiative Integrity Pacts won the **European Ombudsman’s Award for Good Administration 2019** in the category “Excellence in Open Administration”. The project was also included in the special **G20 Compendium as a global good practice for promoting integrity and transparency in infrastructure development**. The results will be widely disseminated in all Member States and the EC is already reflecting on how this experience can be scaled up in the context of the future long-term EU budget 2021-2027.

The practice has also been showcased in many instances, for example at the “Annual European Week of Regions and Cities 2019” and the DG REGIO high-level conference “Engaging citizens for good governance in Cohesion Policy”. Latvia itself is considering the extension of the practice in projects under other EU Funds in the programming period 2021-2027⁴.

⁴ https://ec.europa.eu/regional_policy/en/policy/how/improving-investment/integrity-pacts/