



MAINSTREAMING **INTEGRITY PACT** IN CLIMATE INITIATIVES

About Transparency International Pakistan

Transparency International Pakistan (TI Pakistan) is the National chapter of Transparency International, established in 2002 with the main aim to strengthen the global value system by making transparency and accountability more relevant public norms. Working in collaboration with other stakeholders and departments, TI Pakistan regularly publishes research papers, reform proposals, and manuals with the aim of disseminating information to all stakeholders and also conducts capacity-building workshops.

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Introduction

The global landscape of climate finance has witnessed exponential growth in recent years, driven by the urgent need to mitigate climate change and adapt to its adverse impacts. Developing countries are projected to require up to USD 6 trillion by 2030 to meet even half of their climate action goals as articulated in their Nationally Determined Contributions (NDCs).^[1] The Climate Policy Initiative (CPI) estimated that annual climate finance flows reached USD 1.3 trillion in 2021–2022, yet this remains significantly below the levels required to keep global warming within the Paris Agreement targets.^[2] Pakistan, as one of the most climate-vulnerable countries, faces a substantial financing gap. The Pakistan Economic Survey 2024–25 notes that the country mobilized over USD 1.5 billion in climate finance; however, this is marginal compared to the estimated USD 14 billion per year required for adaptation alone.^[3] This gap underscores the urgency of ensuring that available climate finance is managed effectively and reaches the communities most at risk.

^[1] United Nations Framework Convention on Climate Change (UNFCCC), Needs Determination Report 2021.

^[2] Climate Policy Initiative (CPI), Global Landscape of Climate Finance 2023.

^[3] Government of Pakistan, Pakistan Economic Survey 2024–25.

A large share of climate finance is deployed through public procurement, particularly in infrastructure, renewable energy, water management, and urban resilience projects. Procurement serves as the main channel for converting financial commitments into on-the-ground results. However, procurement processes in many developing countries remain vulnerable to corruption, mismanagement, and inefficiency. Transparency International has identified systemic risks such as collusion among bidders, bribery, inflated contract values, and weak oversight mechanisms as recurrent problems in public procurement.^[4] Similarly, the OECD highlights that the absence of strong accountability frameworks undermines value for money and reduces the effectiveness of climate-related investments.^[5] These vulnerabilities not only distort fair competition but also divert scarce climate resources away from their intended beneficiaries. Strengthening procurement integrity is therefore central to achieving the goals of climate finance.

It is in this context that Integrity Pacts (IPs), developed by Transparency International in the 1990s, have emerged as a structured and legally enforceable mechanism to safeguard procurement processes. An Integrity Pact is a formal agreement between a procuring authority and the bidders committing to abstain from corrupt practices, while embedding independent third-party monitoring throughout the procurement cycle. By ensuring transparency, accountability, and compliance with ethical standards, IPs address one of the most critical governance risks in climate finance—corruption in procurement. Their preventive and corrective features help deter malpractice, increase competition, and build trust among stakeholders, thereby enhancing the effectiveness and legitimacy of climate investments.



[4] Transparency International, *Curbing Corruption in Public Procurement: A Practical Guide*, 2006.

[5] OECD, *Preventing Corruption in Public Procurement*, 2016.

Addressing Governance Deficits in Climate Finance through Integrity Pacts

Climate finance is an essential pillar of global climate action, supporting low-carbon development and resilience in vulnerable countries. Yet the governance challenges inherent in managing large and complex financial flows continue to threaten both credibility and impact. Weak procurement systems, limited institutional capacity, and inadequate oversight expose climate finance to the risks of collusion, bribery, embezzlement, and resource diversion. The World Bank and the United Nations Office on Drugs and Crime (UNODC) underscore that corruption possess a critical barrier to effective climate action in global north and global south They highlight that the adoption of transparent public procurement processes is key to safeguard against corruption risks.^[6] The World Bank (2020) further identifies procurement-related fraud and corruption as some of the most prevalent fiduciary risks in climate finance, stressing the importance of preventive safeguards and robust oversight frameworks.^[7] Similarly, Transparency International (2021) highlights persistent weaknesses such as opaque procurement practices, lack of disclosure of information, political capture of project pipelines, beneficial ownership transparency and inadequate monitoring mechanisms in climate-related investments.^[8]

According to the Pakistan Economic Survey 2024–25, the country mobilized over USD 1.5 billion in climate finance to address environmental degradation and enhance resilience.^[9] These funds are directed toward priority areas identified in national frameworks, including renewable energy expansion, large-scale afforestation, climate-resilient irrigation and water systems, sustainable agriculture, and urban resilience initiatives such as solid waste management and disaster risk reduction infrastructure.^{[10][11]} Despite these efforts, significant governance vulnerabilities persist in the management of climate finance. Transparency International Pakistan (2024), in its report *Financing Climate Action: Enhancing Effectiveness and Transparency in Pakistan's Climate Governance Frameworks*, recommends that climate policy design adopt a “whole of society” approach to create meaningful participation and public buy-in. It further emphasizes the need for a “whole of government” approach to policy implementation, recognizing the cross-cutting nature of climate issues that require effective inter-ministerial and interdepartmental coordination.^[12]

Analyses by Transparency International, the Climate Policy Initiative and insights from Pakistan's Voluntary National Reviews highlight that implementation is often hampered by limited transparent disclosure of information, inadequate accountability mechanisms, and the absence of robust third party oversight. One of the key governance areas for managing climate finance effectively is the robustness of countries procurement policies. It is in this context that Integrity Pacts (IPs), pioneered by Transparency International (TI) in 1990s, have emerged as a structured, legally enforceable mechanism to safeguard procurement processes from corruption and mismanagement. As the world faces climate change as a new potent threat, one where the risks of corruption are significant, Integrity Pact provides a crucial framework to strengthen transparency, accountability and integrity in climate responses.

^[6]United Nations Office on Drugs and Crime (UNODC). Addressing Corruption Risks to Safeguard the Response: The Climate Change Discussion Draft II.

^[7] World Bank, *Enhancing Government Effectiveness and Transparency: The Fight against Corruption*, 2020.

^[8] Transparency International, *Global Corruption Report: Climate Change*, 2021.

^[9] Government of Pakistan, *Pakistan Economic Survey 2024–25*.

^[10] Government of Pakistan, *Updated Nationally Determined Contributions (NDCs)*, 2021.

^[11] Ministry of Climate Change, *National Climate Change Policy*, 2021.

^[12] Transparency International Pakistan, *Financing Climate Action: Enhancing Effectiveness and Transparency in Pakistan's Climate Governance Frameworks*, 2024.

Potential of Integrity Pacts to Minimise Corruption and Generate Market Competition in Adaptation and Mitigation Projects.

An Integrity Pact is a formal agreement between a procuring authority and all bidders or participants in a public procurement process. It commits the parties to abstain from corrupt practices, ensures compliance with legal and ethical standards, and incorporates an independent third-party, often a civil society to monitor the compliance of all stakeholders throughout procurement lifecycle.

Integrity Pacts ensure transparency in all stages of the procurement process, from needs assessment to contract management and payment. Integrity Pacts prevent corruption by providing adequate incentives and sanctions for both the public authorities and the bidders. Integrity Pacts detect corruption, in particular through a whistleblowing system that both encourages and protects against potential retaliation. In doing so, Integrity Pacts build confidence among all stakeholders.

Integrity Pacts are concluded between the procuring public authority and the bidding companies – ideally before the start of the bidding process.

Core Components of an Integrity Pact Committed by all Parties:

- A declaration of integrity by the procuring authority and participating bidders to refrain from paying, offering, soliciting or accepting bribes
- Bidders not to collude with other bidders to obtain the contract
- Selected contractors, not to bribe representatives of the authority while executing the contract
- Procuring agencies bidding firms to enforce contractual penalties for non-compliance (fines and contract termination), including debarment.
- Third-party monitoring by an independent civil society organization
- Full Disclosure of procurement data including bidding documents, evaluation reports, financial reports, contract award agreement, and bill of quantities (BOQ) information
- Grievance redress and whistleblower protection mechanisms, enabling all parties to promptly report any indications of wrongdoing, allowing public authorities and/or bidding firms to address the situation.

In the context of Pakistan, Public Procurement Regulatory Authority Rules (PPRA) 2004 Rule 7 mandates that “the procurements exceeding the prescribed limit shall be subject to an integrity pact, as specified by regulation with approval of the Federal Government, between the procuring agency and the suppliers or contractors”. The prescribed limit is all contracts exceeding Rs. 10 million (Approx. USD 35,000). In doing so, Integrity Pacts are the tool to save taxpayers’ money and make sure projects run smoothly because the goal is to guarantee all spending on public contracting is free from corruption.

Strategic Relevance of Integrity Pacts in Climate Finance Governance



Climate finance requires high standards of fiduciary integrity to ensure funds reach intended beneficiaries and achieve measurable outcomes. Integrity Pacts serve this objective by embedding preventive safeguards and external oversight into the procurement process. They enhance the legitimacy of climate investments and align with global governance norms under the United Nations Framework Convention on Climate Change (UNFCCC) and the Enhanced Transparency Framework.

Benefits of Institutionalizing Integrity Pacts:

- 1.Deter corruption through legal enforceability and reputational risk.
- 2.Enhance procurement efficiency through increased competition and great value for money.
- 3.Promote inclusive oversight through civil society engagement.
- 4.Foster donor and public trust by improving transparency.
- 5.Align with Sustainable Development Goal 16 (peace, justice, and strong institutions).

Table 1: Comparative Governance Indicators With and Without Integrity Pacts

| Governance Indicator | Without IP | With IP |
|--------------------------|--------------------|--|
| Transparency Level | Limited disclosure | Proactive public access to procurement data |
| Oversight Mechanism | Internal only | Civil Society participation through CSO independent |
| Risk of Collusion | Elevated | Significantly reduced due to scrutiny, penalty and |
| Accountability Framework | Fragmented | Formalized through clear commitment to deter corrupt |
| Stakeholder Confidence | Low to moderate | High due to procedural integrity and visibility |

Case-Based Evidence: TIP's Implementation of Integrity Pacts

Case Study: K-III Greater Karachi Water Supply Project

Transparency International Pakistan's application of Integrity Pact approach shows a clear potential of the Integrity Pact in involving ordinary citizens and civil society organizations to play an important role in monitoring both the allocation of funds for projects and the way that money is spent.

In 2001, TI Pakistan applied IP in Greater Karachi Water Supply Scheme (The K-III project), resulting in substantial savings to the exchequer. The KIII project was developed to augment the municipal water supply to Karachi, Pakistan's largest city. An Integrity Pact, with a formal no-bribery commitment, was signed by Karachi Water Sewerage Board (KWSB), consultant bidders and TI Pakistan. It resulted in a successful bid of Rs 62 million (\$1.04m) against the reserved fees of Rs 249m (\$4.2m). The project adopted the least cost selection method. The clean and open bidding process was monitored by Transparency International Pakistan.

The following is a summary of the results officially reported by the Designated Consultants on the project, highlighting the success achieved through the implementation of the Integrity Pact during the project's execution phase. The intervention resulted in a fully transparent bidding process and measurable cost savings.

Table 2: Financial Outcomes Attributable to Integrity Pact Implementation in K-III

| Procurement Element | Estimated Cost Without IP | Final Cost with IP | Verified Savings |
|----------------------------------|------------------------------|---------------------|------------------|
| Nature of Assignment | GoP Approved Estimated Cost. | Contract Award Cost | Saving |
| Design & Supervision Consultants | 249 Million | 62 Million | 187 Million |
| Construction Contracts | 5,285 Million | 4,448 Million | 837 Million |
| Total | 5,534 Million | 4,510 Million | 1,024 Million |

Through stringent monitoring and the deterrent effect of transparency, the project achieved a competitive bidding environment and prevented irregularities.

Case Study 2: Solid Waste Emergency and Efficiency Project (SWEEP), Karachi

Based on the successful implementation of IP and transparency in the procedures adopted for awarding the contracts, Transparency International Pakistan has pioneered the mainstreaming of IP in climate initiatives. Recognizing the governance risks inherent in large-scale infrastructure procurement, TI Pakistan has collaborated with the Sindh Solid Waste Management Board (SSWMB) to provide civil society oversight in the implementation of the SWEEP project, co-financed by the World Bank and the Government of Sindh. The project addresses Karachi's growing municipal solid waste management needs. Funded by the World Bank with USD 100 million^[13] and the Government of Sindh (GoS) with USD 5 million^[14], the SWEEP project began on February 25, 2021. This results in an overall budget of USD 105 million^[15]. The project includes the development of transfer stations, landfill facilities, and efficiency enhancements.



Road inside Jam Chakro dumping site in Karachi
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[13] World Bank. "World Bank Announces \$300 Million for Pakistan to Build Resilience to Natural Disasters and Health Emergencies." Press Release, December 8, 2020. ([worldbank.org](https://www.worldbank.org/))

[14] World Bank. SWEEP Project Presentation. Google Drive, accessed [insert access date]. URL: <https://drive.google.com/file/d/1fK6lb7vY6il4-8PXsCmptsGg3Mdy1sq/view>

[15] World Bank. Project Appraisal Document on a Proposed Loan in the Amount of US\$100 Million to the Islamic Republic of Pakistan for a Solid Waste Emergency and Efficiency Project (SWEEP). November 11, 2020. (documents1.worldbank.org)

[16] Amin Ahmed. "Sindh govt, WB to launch solid waste management project." Dawn, August 1, 2020. ([dawn.com](https://www.dawn.com))



TIP's Role as an Independent Observer

Transparency International Pakistan (TIP) has played a crucial role as an independent observer in the bidding and procurement processes of the SWEEP project. Under the Climate Governance Integrity Program, TI Pakistan engaged with Sindh Solid Waste Management Board (SSWMB) the body under which the SWEEP project is implemented. A meeting was held with Managing Director SSWMB on September 27, 2023, to formalize TI Pakistan's monitoring role for SWEEP project. As an observer, TI Pakistan monitors all stages of the procurement process by participating as an independent observer. This observation ensures that procedures are followed in accordance with the procurement regulations applicable on the project (in the subject case, World Bank procurement rules) and helps prevent any conflict of interest that could undermine the project's integrity. Moreover, TIP observer role has also allowed it to issue independent reports that highlight any irregularities in the process, ensuring accountability for financing for climate relevant initiatives.

Throughout this engagement, TIP also provided technical assistance to the stakeholders, ensuring adherence to procurement regulations. Additionally, TIP presence during the procurement processes also ensures that there are mechanisms in place for whistleblowers to report any concerns to the third party without fear of retaliation, thereby fostering a culture of integrity throughout the process. Through these efforts, TIP has contributed significantly to ensuring that the SWEEP project's procurement process remains transparent, accountable, and free from corruption.

Table 3: Chronology of TIP Observation Engagements in SWEEP Project

| Meeting Date | Nature of Meeting | Attendees |
|--------------------------|--|---|
| October 26, 2023 | Pre-Bid Meeting for Construction of Modern Garbage Transfer Stations (Package 1) Using Two Lots (LOT1: GTS Sharafi Goth & GTS Dinga Moor and LOT 2: GTS Imtiaz & GTS | ED TI Pakistan, Procurement Committee Members, Project Director, Procurement Specialist, Local Government Department and Bidders |
| November 27, 2023 | Technical Bid Opening for Construction of Modern Garbage Transfer Stations (Package 1) Using Two Lots (LOT1: GTS Sharafi Goth & GTS Dinga Moor and LOT 2: GTS Imtiaz & GTS | ED TI Pakistan, Procurement Committee Members, Project Director, Procurement Specialist, Local Government Department and Bidders |
| February 20, 2024 | Pre-Bid Meeting for Package – 2 Construction of Sanitary Engineered Landfill Site at Jam Chakro | Project Coordinator TI Pakistan, Procurement Committee Members, Project Director, Procurement Specialist, Local Government Department and Bidders |
| February 20, 2024 | Opening of Second Envelope: Financial Part for Modern Garbage Transfer Stations (Package 1) Using Two Lots (LOT1: GTS Sharafi Goth & GTS Dinga Moor and LOT 2: GTS Imtiaz & GTS Gutter Bagicha | Project Coordinator TI Pakistan, Procurement Committee Members, Project Director, Procurement Specialist, Local Government Department and Bidders |
| April 18, 2024 | Opening of Technical Bids for Package – 2 Construction of Sanitary Engineered Landfill Site at Jam Chakro | Procurement Committee Members, Project Director, Procurement Specialist, Local Government Department and Bidders |
| May 28, 2024 | Opening of Second Envelope: Financial Part for Package – 2 Construction of Sanitary Engineered Landfill Site at Jam Chakro | ED TI Pakistan, Procurement Committee Members, Project Director, Procurement Specialist, Local Government Department and Bidders |

The continuous engagement of TIP has ensured compliance with procurement regulations, strengthened the application of Integrity Pact through independent civil society oversight, discouraged collusion, and provided confidence to all participating vendors by providing an avenue of third party to raise any concerns.

Recommendations for Mainstreaming Integrity Pacts in Climate Initiatives

To institutionalize Integrity Pacts across climate finance governance, the following recommendations are proposed:

1. Integrate Civil Society Monitoring as part of Integrity Pacts into the frameworks of all International Financial Institutions (IFIs), including the World Bank, ADB, Green Climate Fund, and Adaptation Fund.
2. Require strict IP adoption and implementation in all climate initiatives exceeding a defined financial threshold.
3. Mandate third-party independent monitors as part of Environmental and Social Management Frameworks (ESMFs).
4. Include IP clauses in national and subnational climate finance strategies, such as Pakistan's National Adaptation Plan and NDC implementation frameworks.
5. Establish financing windows within IFIs and government budgets to support civil society monitoring.
6. Encourage multilateral cooperation through UNFCCC Enhanced Transparency Framework to standardizing IPs in climate-related public procurements and multilateral climate investments with mandatory role of civil society as independent observer.
7. Mandate all climate related departments to ensure strict compliance with Integrity Pacts in line with Pakistan Public Procurement Regulatory Authority Rules 2004 in all climate finance-related procurements. The implementation must come along monitoring mechanism to assess implementation and compliance, especially in sectors receiving international climate funds.



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